18 November 2014

Enterprise Inns plc

Preliminary announcement for the financial year ended 30 September 2014

"Continuing operational improvement with a return to like-for-like net income growth"

Enterprise Inns plc (ETI or Enterprise), the leading operator of leased and tenanted pubs in the UK, today announces its results for the year ended 30 September 2014.

Financial highlights

- Further progress in like-for-like net income with growth of 0.5% in the final quarter resulting in an increase of 1.4% for the full year
- EBITDA* before exceptional items of £302 million (2013: £313 million), in line with expectations following the impact of planned asset disposals
- Profit before tax and exceptional items maintained at £121 million (2013: £121 million) as interest savings from reduced debt offsets reduction in EBITDA
- Profit after tax improved to £30 million (2013: £4 million loss) after net exceptional charges, principally relating to property matters, reduced to £65 million (2013: £99 million)
- Adjusted earnings per share# in line with prior year at 19.0p (2013: 19.0p)
- Strong cash generation from operations enables continued reduction in net debt, down to £2.4 billion (2013: £2.5 billion)
- Partial refinancing of 2018 corporate bonds and a new revolving bank facility completed on 7 October 2014 provides a smoother and extended debt maturity profile with a reduced overall cost of borrowing, improving flexibility and optionality

Operational highlights

- Net proceeds from disposals of £73 million (2013: £150 million). The asset disposal programme materially reduced to focus primarily on under-performing assets with proceeds re-invested for higher returns
- Capital investment of £66 million (2013: £62 million) across the estate of which 41% was focused on growth driving initiatives, up from 32% achieved last year
- Operational focus aimed at improving publican profitability which has helped deliver a 16% reduction in business failures

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

Commenting on the results, Simon Townsend, Chief Executive Officer said:

"We are pleased to report like-for-like net income growth for the full year with each quarter delivering improvements on the prior year. This represents significant progress and has been achieved through our continued focus on the implementation of actions that drive sales and profit for our publicans and as a result enhance our income.

We continue to enhance the quality of our pub estate, and while we have materially reduced the scale of our asset disposal programme, we have sold under-performing assets to fund increased investment in the retained estate, with a growing proportion of capital investment directed toward income enhancing opportunities. Our teams remain focused on providing exceptional local support and value creating opportunities to our publicans to enable them to grow their businesses.

The successful partial refinancing of the 2018 corporate bonds and replacement of our bank facilities provides the business with increased flexibility and optionality with which we aim to sustain our operational progress, further reduce our debts and generate value for shareholders.

While our performance this year has benefited from a UK economy which has shown some signs of strengthening, including improving employment prospects, we view the consumer recovery as fragile and remain cautious in the near-term.

Our focus for the current year is to continue to implement initiatives which assist publican profitability whilst increasing capital investment in relevant and innovative retail offers. We are pleased that, for the first seven weeks of the new financial year, we have continued to deliver like-for-like net income growth in line with our objectives for the year.*"*

Enquiries: Simon Townsend, Chief Executive Officer 0121 733 7700
Neil Smith, Chief Financial Officer 0121 733 7700
Emma Greves, Investor Relations Manager 07990 550210
Tulchan Communications, Peter Hewer/Jonathan Sibun 0207 353 4200

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 today. Alternatively, a live conference call of the presentation can be accessed at 9.30am GMT by dialling +44 (0) 20 3003 2666 or +1 212 999 6659 (USA callers). A replay of the conference call will be available for 7 days on +44 (0) 20 8196 1998 and +1 866 583 1035 (USA callers), replay passcode 1649754.

Forward-looking statements
This announcement 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 2014, during which period we have delivered EBITDA before exceptional items of £302 million. While this is down £11 million on the comparative period this is primarily due to asset disposals in line with our plans. Profit before taxation, excluding exceptional items, is consistent with last year at £121 million.

The stabilisation of profit before taxation is an important milestone for the business and has been delivered through an improved performance in like-for-like net income growth across the pub estate combined with a significant reduction in the level of asset disposals. The decline in EBITDA has slowed as a result and has been offset by interest savings from continued debt reduction. The improved profitability of the retained estate is further demonstrated by the increase in average EBITDA per pub during the year, up 1.5% to £55,700 per pub.

Delivering growth

Like-for-like net income across the pub estate grew by 1.4% for the full financial year, with growth achieved in each quarter of the year. In the first half of the year performance was, to some extent, flattered by a relatively weak comparative period. The second half of the year began with some relatively good weather and a modest benefit to income from the FIFA World Cup finals in June. In the final quarter of the year, we faced more challenging comparatives with a strong period in the prior year and were therefore pleased to achieve growth of 0.5% which we believe reflects real improvements in the underlying performance of the business.

These improvements are being delivered through the successful implementation of our many initiatives aimed at enhancing publican profitability and through our capital re-investment, which is targeting a greater proportion of investment at projects that will deliver incremental income. The provision of services such as free WiFi and discounted Sky entertainment packages, combined with extensive training programmes, product marketing, business advice and direct financial assistance are all aimed at reducing publicans' costs and growing their sales to enhance their profitability which, in turn, benefits our income. As a consequence of such action, we have seen a 16% reduction in the level of business failures in the year.

The improvement in trading performance has been achieved across the estate with all geographic sectors reporting stability or growth in like-for-like net income. The Southern estate has performed particularly well helped by strong trading in and around London. We have 732 pubs within the Greater London region and their like-for-like net income was £70 million in the year, up 4.4% on the prior year. The top 90% (4,813 pubs) of our estate, in terms of income earned, grew like-for-like net income by 3.1% in the year, demonstrating the strength of the core estate.

Location	No. of trading pubs at 30 Sept 2014	Net income* FY14 £m	% of total net income FY14	Net income FY13 £m	Net income change FY14 %
North	1,594	102	27	102	-
Midlands	1,724	110	30	110	-
South	2,030	158	43	153	3.3
Total	**5,348**	**370**	**100**	**365**	**1.4**

* Net income represents like-for-like pub level gross profits, stated before property costs of £29 million, unallocated central costs of £6 million and excluding £3 million of net income relating to disposals or non-licensed premises.

Enhancing returns from the estate

Our asset disposal programme has materially reduced in scale as we no longer rely upon disposals to repay debt. During the year we generated £73 million from asset disposals compared to £150 million of asset disposals in the prior year. Disposals primarily relate to under-performing assets with the proceeds re-invested to drive like-for-like net income growth and improve the financial returns in our retained estate. The objective of this equalisation of divestment and investment activities is to re-deploy invested capital to optimise our returns which will lead to enhanced total earnings. We target Return on Investment (ROI) of 15% and have achieved an average ROI of 19% on schemes delivered in the last twelve months.

In the current year, we re-invested £66 million compared to £62 million in the prior year, of which, 41% was directed toward income enhancing opportunities, up from 32% last year.

Development of the Enterprise model

Our core business model is, and will remain, the operation of leased and tenanted pubs, utilising the flexibility offered by our range of tied agreements. In this model the entrepreneurial publican meets the needs of consumers and responds to changes in the competitive landscape at a local level. We continue to believe that this model provides the optimum solution for us and our publicans in the majority of our pubs. However, it is important that we are prepared to access the value opportunity that could be available through other specific retail formats or operating models for some assets within our estate.

We are evolving the Enterprise model in a number of areas. We are building an improved understanding of consumer trends and competitor activity to inform our investment and divestment decision making. On occasion, the local publican may require operational support and Enterprise capital investment to ensure the retail offer is optimised for a particular pub. In such circumstances, it may be beneficial for us to have greater involvement in the operation of the pub to enhance our returns. We have seen benefits from this intervention in our 183 Beacon pubs over the last three years and we have now extended this approach to nine Enterprise managed pubs.

Additionally, we are developing our commercial property capability to ensure that we secure the best use and consequential value of our assets. This can include the letting of assets on a free-of-tie commercial property basis and also the use of turnover related rent agreements. We currently have 159 commercial properties generating £7 million of index-linked annual income.

Strong cashflow and efficient capital structure

We have a manageable and tax efficient capital structure comprising predominantly long-term debt, consistent with the valuable security of our freehold assets. Our total net debt at 30 September 2014 was £2.4 billion, down from £2.5 billion last year. This debt reduction has been delivered by the strong cash generative nature of the business, with £278 million of cash flow from operating activities (2013: £291 million).

On 7 October 2014, we completed a partial refinancing of the 2018 corporate bonds which effectively moved £249.5 million of debt that was due to be repaid in 2018 to a later maturity of 2023. At the same time we commenced a new four-year non-amortising bank facility of £138 million. The combined effect of these transactions was to smooth and extend our debt maturity profile at a reduced overall cost of borrowing which provides us with greater on-going flexibility to grow the business.

Whilst debt reduction will continue, primarily through the scheduled amortisation of the Unique bonds, it is no longer the priority for the use of excess cash. In the near-term, having funded the cash cost of our recent refinancing, we intend to use excess cashflow to fund business growth in order to generate value for shareholders by sustaining our operational progress. The Board is focused on delivering enhanced returns to shareholders over time but does not intend to reinstate a dividend at this stage.

OPERATIONAL REVIEW

Our operational teams are working ever more closely with our publicans this year in order to deliver the improvement in like-for-like net income that we have achieved. Enhancing pub profitability through the provision of services which grow our publicans' sales, or reduce their operating costs, is key to ensuring that our income growth can be sustained.

Attracting and retaining the right publicans to the Enterprise offer

Our business model is based on building enduring partnerships with great publicans. We are competing not only with other pub companies to find great people, but also with many other franchise and retail hospitality organisations. Our unique blend of flexible agreements, estate quality and business support ensures we can attract some of the very best entrepreneurial business operators and provide them with the opportunity to establish their own business providing valued services to local communities without the financial risk and constraint of asset ownership.

Our high quality pubs in the heart of thriving local communities offer compelling business opportunities and we have continued to invest substantial sums in our estate, including throughout the economic downturn. This year we have invested £66 million into the estate with some 41% invested in programmes that will generate incremental income. Within this total we have invested in excess of £100,000 in 70 pubs, in excess of £50,000 in 188 pubs and between £20,000 and £50,000 in 600 pubs.

In addition to the quality and location of the amenity, we have continued to evolve our transparent and flexible agreements coupled with appropriate business support in order to attract and retain the best publicans. Sometimes the form of a particular asset or the needs of a publican's business plan require us to offer uniquely tailored agreements, and in the appropriate commercial circumstances we will offer completely free-of-tie (FOT) leases, standard commercial leases or turnover based agreements.

We are committed to providing the help and support required to ensure our new publicans are able to quickly establish their new business. Our "100 Days" programme has been specifically designed to support new publicans during this critical period, building on our existing comprehensive support package, offering more concentrated and bespoke help, support, advice and experience from our team of regional managers. We believe this proactive investment in new publicans will establish a more sustainable long-term business for our publicans, for the communities in which our pubs are located and, as a consequence, for our shareholders.

We have recognised that some publicans who have been running a pub for less than a year really benefit from peer-to-peer mentoring provided by fellow Enterprise publicans. This support is provided by our most experienced and successful publicans who can provide invaluable, relevant and easily accessible advice.

Unfortunately, even the best publicans may, on occasion, need support to tackle unforeseen or unavoidable challenges to their business. In the last financial year, we have therefore provided temporary concessions and other financial support to publicans at a cost of £7 million (2013: £6 million). This expenditure can be in the form of direct financial assistance or support which is targeted toward business-building activities that will enhance footfall and income for the publican.

While a change of publican can be a catalyst for revitalising the prospects of a pub, a key strategic aim for our business is to avoid the need for a change of publican due to business failure. We are pleased with the progress we have made in reducing the incidence of failure by 16% to 486 in the current financial year and we are targeting further improvement in this area.

Our core leased and tenanted model provides a wide range of flexible agreement options but sometimes local consumer or market conditions can require a more extensive evolution of our offer. Through our Beacon "managed tenancy" agreements, of which we have 183 (2013: 185), we have seen that our increased involvement in the operation of a pub can assist its trading income and its sustainability. Our Beacon model pubs grew like-for-like net income by 7% in the financial year and have evolved to become a successful operating concept, providing a simple, value-for-money, drinks-led pub offer. These pubs are still operated under a tenancy agreement, but are supported by a dedicated retail team focused on sales, marketing, retail standards, customer service and cost control.

We have further evolved this model such that we now also operate nine managed pubs and plan to extend this trial in 2015. We expect to evolve our approach over time, informed by the evidence from the operation of these managed pubs, with the strategic objective of understanding the potential additional economic benefit to be derived from managed and semi-managed operating models; to evaluate the performance of defined retail concepts; to assess the transferability of benefits to the leased and tenanted model; to determine the value protection opportunity that arises from taking full operational control of pubs at risk of business failure; to assess the commercial and supply chain benefits to the Group that can be derived from a managed operation; and to develop a largely outsourced, scalable back-office capability which provides the essential control environment for such operating models.

Supporting publicans to grow their businesses

The average period of occupation of the publicans who operate our pubs is currently over six years. During that time, we invest in many activities aimed at promoting and growing the publicans' business. These activities are delivered through our "Pub offer", our exceptional local support and through extensive communication and marketing initiatives.

Our "Pub offer"

We have negotiated market-leading terms to enable our publicans to take full advantage of both Sky and BT Sport entertainment packages. These deals, which are enjoyed by over 900 of our publicans, enable them to offer a great entertainment experience to their customers at a substantially discounted cost.

We have also partnered with Arqiva, a communications infrastructure and media services company, to offer a free, high speed WiFi service to our publicans and their customers. Not only does this service help our publicans attract additional footfall and increase customer dwell time in their pubs, it can also typically save them £500 per annum, and over 2,150 pubs have had the service installed to date. Increasing the number of pubs that have access to high speed internet also gives us the opportunity to interact with our publicans through our digital communication channels and will provide the platform for increased electronic ordering and marketing as we further develop our digital capabilities.

In the final quarter of the financial year, we launched our online ordering service to publicans and over 650 publicans have used the service to date. This facility also allows us to provide our publicans with up to date business solutions, as well as making it easier for potential and existing publicans to interact with us.

Exceptional local support
Our regional managers are at the centre of the commercial relationship between us and our publicans. We have invested in an enhanced induction and training programme for our regional managers to ensure they are best equipped to recognise and respond to changing market conditions and provide appropriate business support to publicans. We are also driving efficiencies in working practices within our central functions to reduce the administrative burden on our regional managers in order to enable them to spend more face-to-face time with publicans.

In 2012 we launched our Community Heroes Awards programme where we committed £1 million over 10 years to community causes and initiatives promoted by our publicans and their customers. In 2014 nearly 300 publicans applied to enter the Enterprise Community Heroes Awards, all of them making a significant impact on the communities they serve. Adrian Emmett, publican of the Lion in Treorchy, was the 2014 National Award winner, receiving £10,000 to continue his remarkable programme of community activity whilst the other 17 regional finalists each received £5,000 towards local causes and activities of their choice.

The quality of our pubs and the capability of so many of our publicans, has been recognised on numerous occasions during the year in national and local media, as well as by many different awarding bodies. This includes accolades for service excellence, design, entertainment, and beer quality, together with AA Rosettes, Michelin Bib Gourmands and Michelin stars. In the 2014 Great British Pub Awards, Kevin and Michelle Abbott of The Anchor Inn in Wingham, Kent were named as the Best Entertainment pub in the UK, while The Grafton in Kentish Town, run by Joel Czopor and Susie Clarke, was crowned as the overall 2014 UK Pub of the Year.

Communications and marketing
In April 2014, building on the success of our 2013 roadshows, over 1,500 publicans attended our "Enterprise Live" events, representing a 29% increase in attendance over the prior year. These trade shows brought together an even wider selection of suppliers and product categories, enabling publicans to access exclusive offers with potential savings of up to £7,000 per pub. We were also able to showcase our pubs to interested applicants, meeting and interviewing over 280 prospective publicans as a result.

We promote a wide range of popular and new brands every month, enabling publicans to take advantage of discounted prices to drive additional sales and improve gross margin.

REGULATORY REVIEW

Draft legislation to establish a Statutory Pubs Code (the Code) to regulate the activities of large tied pub companies, together with an independent adjudicator to enforce the Code, was announced on 3 June 2014 in the Small Business, Enterprise and Employment Bill 2014. Whilst we remain of the view that the industry-owned framework of self-regulation is effective and is the best solution for all interested parties, we recognise the intent of the statutory regime and are working with the appropriate bodies to ensure the final legislation presents a workable solution for the industry.

Separately, we welcomed the Government's decision to reduce the burden of duty on beer sales for the second year in a row. Beer sales represent a significant proportion of turnover in the majority of UK pubs and this important gesture, coupled with the removal of the hugely damaging duty escalator in 2013, has provided an important boost to investment and employment in UK pubs which continue to be the home of responsible drinking.

PROPERTY REVIEW

An underlying strength of our business is our predominantly freehold property estate. Our estate comprises 5,406 properties with a current book valuation of £3.8 billion. Within the portfolio we have 5,348 trading properties and 58 properties which are non-viable, closed properties. Some 93% of the properties are freehold or quasi-freehold (long-term leases of over 50 years).

Portfolio as at 30 September 2014	No. of pubs	Total value £m
Property, plant and equipment (PPE)		
- Freehold and finance leases	5,028	3,809
- Operating leases	260	10
	5,288	3,819
Non-current assets held for sale		
- Freehold and finance leases	118	30
Total pubs	**5,406**	**3,849***
Non-viable closed pubs	(58)	
Total trading pubs	**5,348**	

** Represented by total PPE (£3,834 million) excluding other assets (£25 million), together with non-current assets held for sale (£30 million) and operating lease premiums (£10 million).*

Our pub estate is re-valued every year in part by independent valuers and in part by our professionally qualified in-house team. The valuation is performed in accordance with the Royal Institution of Chartered Surveyors' "Red Book" valuation standards, which reflect the current and future rent and other income streams expected to be generated by each property, capitalised using an appropriate multiple. As a result of the annual valuation, we have written down the value of the current estate by £75 million (2013: £139 million), a 1.9% (2013: 3.4%) reduction to £3.8 billion with £42 million charged to the income statement and £33 million reflected in the revaluation reserve. As the valuation methodology seeks to take account of the medium-term prospects for income, over time we should expect sustained growth in like-for-like net income to be reflected in valuation stability and, ultimately, growth.

Disposals of £73 million to redeploy capital to optimise returns

We have materially reduced the scale of our asset disposal programme as we no longer rely upon disposals to repay debt. During the year we generated £73 million from the disposal of 230 properties, at an average value of £317,000, compared to £150 million raised from the disposal of 428 properties in the prior year at an average value of £350,000. The reduction in average value achieved reflects the fact that the vast majority of these disposals are under-performing assets where the returns do not justify their retention. Our strategy is to optimise returns by re-investing disposal proceeds to drive like-for-like net income growth and enhance financial returns in our retained estate.

Our disposal programme is expected to reduce in size again next year with proceeds for the year to 30 September 2015 expected to be in the region of £60 million of which up to £40 million is expected from our Unique estate.

Investment of £66 million with increasing proportion focused on growth projects

We have strengthened the capabilities of our property team and enhanced the processes controlling capital investment to ensure that we are able to deliver enhanced returns.

During the year we invested £66 million (2013: £62 million) in enhancing the estate. For the year to September 2015 we are planning to increase our investment further with spend in the region of £70 million. This is the first time in many years that we plan to invest more than our proceeds from asset disposals. This positive net investment in the total business is a necessary enabler of EBITDA growth.

Of the £66 million of capital investment in the year, £2 million was invested in central infrastructure and £3 million was invested in fixtures and fittings for our pubs. We invested £23 million on maintaining the condition of the estate and £11 million in support of our letting programme, both of which protect our income streams as they typically involve investment in the asset infrastructure as opposed to the retail offer. Often such investment is made as a result of a business failure or change of tenancy. As we reduce the level of business failures, we expect to reduce the proportion of total investment directed at this activity.

We are targeting more capital into programmes that will grow incremental income, often coupled with additional investment from our publicans, to improve pub profitability and enhance our income. In the year, we invested £27 million in growth-driving initiatives, representing 41% of our total capital investment, up from 32% in the prior year. We target a minimum ROI of 15% and have achieved an average ROI of 19% on schemes delivered in the last 12 months.

Commercial property management

We are able to optimise our income from the vast majority of our assets by trading them as pubs under the leased and tenanted model. However, we are increasingly identifying the prospect of greater value by trading the asset in an alternative use, either as FOT pubs or “non-pub” assets, and we currently operate 159 such commercial properties, although we expect this number to grow in the coming years. Of these properties, 137 are FOT pubs, that are included in the analysis of trading pubs shown above, and 22 are non-pub assets such as convenience stores. Whilst we have typically sold non-pub assets in the past, we now consider the sustainability of income and returns to determine whether or not to retain the asset as a commercial property.

An additional aspect of commercial property management is to ensure that our tenants, whether tied or free-of-tie, are aware of their legal responsibilities with regard to the upkeep of our assets and to ensure that, where appropriate, such obligations are enforced. We complete property condition inspections for each of our assets at least twice a year and, where rectification work is required, we implement a clear process of repairs enforcement.

FINANCIAL REVIEW

Financial results

As presented in detail in the Chief Executive’s Review, for the year ended 30 September 2014, we have delivered EBITDA before exceptional items of £302 million, down £11 million compared to the prior year primarily due to the disposal programme.

Like-for-like net income is derived from our rental income and the net income from the sale of beer and other products to our publicans. Adjusting for the effect of disposals we have seen our like-for-like net income grow to £370 million (2013: £365 million). In the year our like-for-like net income from rents have declined by £1 million, primarily as a consequence of business failures, whilst our income from beer supply has grown by £6 million as pricing and mix benefits, net of discounts, have offset volume decline.

Pre-exceptional finance costs of £165 million are £12 million lower than the prior year as a result of our strategy of debt reduction, the primary savings being a significantly reduced average drawn debt on the

bank facilities and reduced costs in relation to the Unique bonds following scheduled repayments totalling £68 million during the year. This equates to an average interest rate in the year of 6.7% (2013: 6.7%).

Total pre-tax exceptional charges are £85 million (2013: £163 million) comprising a £75 million (2013: £165 million) charge in respect of a reduction in the value of the estate of which £42 million (2013: £84 million) arose from the annual valuation exercise and £33 million (2013: £81 million) arose from the revaluation of assets on transfer to non-current assets held for sale; a £7 million (2013: £14 million) charge relating to goodwill allocated to disposals; a £10 million (2013: £nil) provision for a settlement charge in respect of our pension obligations; £3 million (2013: £2 million) of exceptional administrative charges and £2 million (2013: £3 million) of exceptional net finance costs. These exceptional charges are partly offset by the profit on disposal of property, plant and equipment (before goodwill allocation) of £12 million (2013: £21 million).

Total tax in the year was a charge of £6 million (2013: credit of £38 million), representing a charge of £26 million (2013: £26 million) on the pre-exceptional trading profit and a credit of £20 million (2013: £64 million) relating to the tax on exceptional items. The effective tax rate on the pre-exceptional trading profits arising in the year was 21.3% (2013: 21.5%), broadly in line with the prior year.

Adjusted earnings per share (EPS) of 19.0p, was in line with last year. Basic EPS was 5.9p compared to a loss of 0.8p in the prior year, primarily due to the impact of the disposal programme and the annual property valuation.

Cashflow

Net cashflow from operating activities at £278 million (2013: £291 million), was down primarily due to the reduction in pre-exceptional operating profits of £12 million.

Net cash flows from investing activities generated £7 million in the year (2013: £88 million) as we significantly reduced the scale of asset disposals such that disposal proceeds were only £73 million (2013: £150 million) which were used to fund capital investment of £66 million (2013: £62 million).

Financing cashflows primarily reflect interest paid of £167 million (2013: £183 million), net loan repayments of £129 million (2013: £168 million) and the purchase and cancellation of £10 million (2013: £8 million) of Unique bonds.

Capital structure

We have a long-term, secure, flexible and tax efficient financing structure comprising bank borrowings, securitised bonds and corporate bonds. We are a cash generative business and have used excess cash flows to reduce debt. During the current financial year we have reduced net debt to £2.4 billion (2013: £2.5 billion) and at the year end we have property assets valued in our balance sheet at £3.9 billion, representing a loan to value ratio of 62% (2013: 62%).

Corporate and Convertible bond

As at 30 September 2014 we had £1,125 million (2013: £1,185 million) of secured corporate bonds which are non-amortising, secured against ring-fenced portfolios of freehold pubs and attract fixed interest rates averaging approximately 6.5%. On 3 February 2014, we repaid upon maturity, a £60 million corporate bond from available cash flow. The next scheduled maturity was the £600 million corporate bond due in 2018.

On 7 October 2014 we completed a partial refinancing of our 2018 corporate bonds. The partial refinancing will result in a lower interest cost and an extended debt maturity. Prior to the refinancing, £600 million of 2018 secured corporate bonds were outstanding with a coupon of 6.5%. We received and accepted tender instructions for £249.5 million of these bonds at a cash purchase price of 108.75% of their principal amount. In connection with this partial refinancing we issued a new £249.5 million secured corporate bond due in October 2023 at a coupon of 6.0%, resulting in a reduction of the corporate bond due in 2018 to £350.5 million. The new issue benefits from a security package on substantially the same terms as the 2018 bonds.

In addition to the corporate bonds, we have an unsecured seven year convertible bond that was issued in September 2013 for gross proceeds of £97 million. The convertible bond has a coupon rate of 3.5% and is convertible at a share price of £1.91 into 50.8 million ordinary shares.

Bank borrowings
At 30 September 2014 our drawn bank borrowings net of Enterprise cash were £46 million (2013: £41 million), broadly in line with the prior year as cash generated from the business has been used to repay corporate bonds and scheduled amortisation of securitised bonds. As at 30 September 2014 available bank facilities were £141 million which were committed to 15 June 2016 at a cost of 400 to 450 basis points above LIBOR.

On 7 October 2014 we also replaced our bank facilities with a new £138 million non-amortising revolving credit facility which is available through to September 2018. This extends the maturity of our previous facility and also benefits from improved terms, simplified covenants and lower pricing with a new interest rate of 300 basis points above LIBOR.

The total cash outflow arising from the bank and bond refinancing was £28 million, being £22 million in respect of the repurchase premium on the bond, which will be charged as an exceptional item, and total fees and disbursements of £6 million, of which £4 million will be charged as an exceptional item and £2 million will be deferred over the life of the new debt instruments. The exceptional charges and all of the cashflows will be recorded in the year ended 30 September 2015.

Securitised bonds
During the year we have repaid, in accordance with scheduled amortisation £68 million of the Unique A3 and A4 securitised bonds, which together with £10 million of bonds purchased and cancelled, leaves £1.2 billion outstanding at the year end. The bonds amortise over a period to 2032 and attract interest rates of between 5.7% and 7.4%. At 30 September 2014 the Group was £79 million ahead of the amortisation schedule of the “class A” securitised bonds through early repayment and market purchases.

The £10 million Unique A4 securitised bonds that we purchased in the year were purchased at a nil premium to their nominal value. These purchases continue the planned programme of purchase and cancellation of Unique class A notes which ensures that we are one year ahead of the scheduled debt profile.

Over the next three financial years to September 2017, the Unique bonds are expected to amortise by £71 million in 2015, £74 million in 2016 and £78 million in 2017.

Balance sheet

Our balance sheet remains strong with a total net asset value of £1.4 billion. We have seen a significant period of debt reduction since 2008 which has reduced Group net debt from £3.8 billion to £2.4 billion and reduced short-term bank borrowing from £1.1 billion to £46 million. With the completion of the partial refinancing on 7 October 2014 our business can move into a new phase where the balance sheet can enable rather than constrain business growth.

The share price at 30 September 2014 of £1.24 (2013: £1.44), which equates to an equity value of £624 million, compares to a net asset value per share of £2.80 (2013: £2.81). The differential between net asset value and market value reflects current market sentiment but does not, we believe, reflect the underlying value of the Group.

We intend to issue an Interim Management Statement on 5 February 2015.

W S Townsend
18 November 2014

Group Income Statement
for the year ended 30 September 2014

	Notes	**2014** Pre-exceptional items £m	**2014** Exceptional items £m	**2014** Total £m	2013 Pre-exceptional items £m	2013 Exceptional items £m	2013 Total £m
Revenue		**632**	**-**	**632**	639	-	639
Cost of sales		**(294)**	**-**	**(294)**	(294)	-	(294)
Gross profit		**338**	**-**	**338**	345	-	345
Administrative expenses	3	**(36)**	**(13)**	**(49)**	(32)	(2)	(34)
EBITDA #		**302**	**(13)**	**289**	313	(2)	311
Depreciation and amortisation		**(16)**	**-**	**(16)**	(15)	-	(15)
Operating profit/(loss)		**286**	**(13)**	**273**	298	(2)	296
Profit on sale of property, plant and equipment	4	**-**	**12**	**12**	-	21	21
Goodwill allocated to disposals	4	**-**	**(7)**	**(7)**	-	(14)	(14)
Net profit on sale of property, plant and equipment		**-**	**5**	**5**	-	7	7
Movements in the valuation of the pub estate and related assets	5	**-**	**(75)**	**(75)**	-	(165)	(165)
Total finance costs		**(165)**	**(2)**	**(167)**	(177)	(4)	(181)
Gain on purchase of own debt		**-**	**-**	**-**	-	1	1
Net finance costs	6	**(165)**	**(2)**	**(167)**	(177)	(3)	(180)
Profit/(loss) before tax		**121**	**(85)**	**36**	121	(163)	(42)
Taxation	7,8	**(26)**	**20**	**(6)**	(26)	64	38
Profit/(loss) after tax attributable to members of the Parent Company		**95**	**(65)**	**30**	95	(99)	(4)
Earnings per share							
Basic	9			**5.9p**			(0.8)p
Basic diluted	9			**6.1p**			(0.8)p
Adjusted *	9	**19.0p**			19.0p		
Adjusted diluted *	9	**17.8p**			19.0p		

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

Statement of Comprehensive Income
for the year ended 30 September 2014

	2014 **£m**	2013 £m
Profit/(loss) for the year	**30**	(4)
Items that will not be reclassified to the Income Statement:		
Unrealised deficit on revaluation of pub estate	**(33)**	(55)
Movement in deferred tax liability related to revaluation of pub estate	**7**	10
Revaluation of assets on transfer to non-current assets held for sale	**(5)**	(28)
Actuarial loss on defined benefit pension scheme	**(1)**	-
Restatement of deferred tax liability related to the revaluation of pub estate for change in UK tax rate	**-**	30
Other comprehensive loss for the year net of tax	**(32)**	(43)
Total comprehensive loss for the year attributable to members of the Parent Company	**(2)**	(47)

Group Balance Sheet
as at 30 September 2014

	Notes	2014 £m	2013 £m
Non-current assets			
Goodwill		**338**	345
Intangible assets: operating lease premiums		**10**	11
Property, plant and equipment	10	**3,834**	3,947
		4,182	4,303
Current assets			
Trade and other receivables		**39**	48
Cash		**123**	144
		162	192
Non-current assets held for sale	11	**30**	39
Total assets		**4,374**	4,534
Current liabilities			
Trade and other payables		**(179)**	(182)
Current tax payable		**(12)**	(10)
Financial liabilities		**(109)**	(129)
Provisions		**-**	(7)
Pension		**(3)**	-
		(303)	(328)
Non-current liabilities			
Financial liabilities		**(2,418)**	(2,536)
Provisions		**(4)**	(4)
Current tax payable in more than one year		**(2)**	-
Deferred tax		**(237)**	(264)
Pension		**(7)**	-
		(2,668)	(2,804)
Total liabilities		**(2,971)**	(3,132)
Net assets		**1,403**	1,402
Equity			
Called up share capital		**14**	14
Share premium account		**486**	486
Revaluation reserve		**723**	754
Capital redemption reserve		**11**	11
Merger reserve		**77**	77
Treasury share reserve		**(227)**	(227)
Other reserve		**8**	2
Profit and loss account		**311**	285
Enterprise Inns shareholders' equity		**1,403**	1,402

Group Statement of Changes in Equity
at 30 September 2014

	Share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Merger reserve £m	Treasury share reserve £m	Other reserve £m	Profit and loss account £m	Total £m
At 30 September 2012	14	486	807	11	77	(227)	(20)	277	1,425
Loss for the year	-	-	-	-	-	-	-	(4)	(4)
Other comprehensive loss	-	-	(43)	-	-	-	-	-	(43)
Total comprehensive loss	-	-	(43)	-	-	-	-	(4)	(47)
Transfer of realised revaluation surplus	-	-	(16)	-	-	-	-	16	-
Transfer of deferred tax	-	-	6	-	-	-	-	(6)	-
Transfer of shares from Employee Benefit Trust to Share Incentive Plan	-	-	-	-	-	-	1	(1)	-
Share based expense recognised in operating profit	-	-	-	-	-	-	-	2	2
Deferred tax in relation to share options	-	-	-	-	-	-	-	1	1
Equity element of convertible bond issue	-	-	-	-	-	-	22	-	22
Equity element of financing cost paid on issue of convertible bond	-	-	-	-	-	-	(1)	-	(1)
At 30 September 2013	14	486	754	11	77	(227)	2	285	1,402
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30**	**30**
Other comprehensive loss	**-**	**-**	**(31)**	**-**	**-**	**-**	**-**	**(1)**	**(32)**
Total comprehensive (loss)/income	**-**	**-**	**(31)**	**-**	**-**	**-**	**-**	**29**	**(2)**
Transfer of realised revaluation surplus	**-**	**-**	**(6)**	**-**	**-**	**-**	**-**	**6**	**-**
Transfer of deferred tax	**-**	**-**	**6**	**-**	**-**	**-**	**-**	**(6)**	**-**
Share based expense recognised in operating profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**2**
Share option entitlements exercised in the year	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**(5)**	**1**
At 30 September 2014	**14**	**486**	**723**	**11**	**77**	**(227)**	**8**	**311**	**1,403**

Group Cash Flow Statement
for the year ended 30 September 2014

	2014 £m	2013 £m
Cash flow from operating activities		
Operating profit	**273**	296
Depreciation and amortisation	**16**	15
Share-based expense recognised in profit	**2**	2
Pension settlement charge recognised in profit	**10**	-
Decrease in receivables	**9**	6
Decrease in payables	**(4)**	(5)
(Decrease)/increase in provisions	**(7)**	1
Decrease in current assets held for sale	**-**	3
	299	318
Tax paid	**(21)**	(27)
Net cash flows from operating activities	**278**	291
Cash flows from investing activities		
Payments made on improvements to public houses	**(64)**	(60)
Payments to acquire other property, plant and equipment	**(2)**	(2)
Receipts from sale of property, plant and equipment	**73**	150
Net cash flows from investing activities	**7**	88
Cash flows from financing activities		
Interest paid	**(167)**	(183)
Interest received	**-**	1
Receipts from exercise of share options	**1**	-
Repayment of finance lease creditors	**(1)**	-
Issue costs of long-term loans	**-**	(2)
Payments to acquire own debt	**(10)**	(8)
New loans	**140**	207
Repayment of loans	**(269)**	(375)
Net cash flows from financing activities	**(306)**	(360)
Net (decrease)/increase in cash	**(21)**	19
Cash at start of year	**144**	125
Cash at end of year	**123**	144

Notes

1. Status of information

The financial information for the years ended 30 September 2014 and 2013 is 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 2013 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2014 have not yet been delivered to the Registrar of Companies. The information contained in this announcement was approved by the Board on 17 November 2014.

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 2013 with the exception of the following new standards, interpretations and amendments which are effective for periods beginning on or after 1 January 2013 and have therefore been adopted since 30 September 2013:

- Amendment to IFRS 7: Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- IFRS 13: Fair Value Measurement
- IAS 19: Employee Benefits (revised)
- Amendments to IAS 1: Presentation of Financial Statements – Clarification of the requirements for comparative information
- Amendments to IAS 34: Interim Financial Reporting – Clarifying interim reporting and segment information for total assets
- Amendments to IAS 36: Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets

IFRS 13: Fair Value Measurement is applicable for the first time for the year ending 30 September 2014 and on a prospective basis only. Under IFRS 13, the Group is required to assess the value of its licensed land and buildings on the basis of the highest and best use on which that asset could be realised, such a use being physically possible, legally permissible and financially feasible. For those assets held as part of the Group's on-going estate, the directors consider that the highest and best use basis of valuation continues to predominantly be as a public house, principally due to the legal restrictions imposed by the agreement with the publican, planning regulations and the financial implications of a change of use given those restrictions and the Group’s business model. When the necessary requirements have been met, which is more likely to be in respect of assets identified for disposal and revalued immediately prior to transfer to non-current assets held for sale, the highest and best use for a market participant may reflect an alternative use for the asset.

The adoption of the standards outlined above, including IFRS 13, in the year has not had a material impact on the amounts recorded in the financial statements of the Group.

The Group has one reporting segment, that of a leased and tenanted pub operator in the UK.

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 7 below.

3. Exceptional items recognised in operating profit

An exceptional charge of £13 million (2013: £2 million) has been incurred in the year of which £10 million (2013: £nil) relates to the charge for the future settlement of the defined benefit pension scheme and £3 million (2013: £2 million) relates to re-organisational costs and costs incurred in respect of regulatory matters.

4. Profit on sale of property, plant and equipment

	2014 £m	2013 £m
Profits on sale of property, plant and equipment	**16**	26
Losses on sale of property, plant and equipment	**(4)**	(5)
Profit on sale of property, plant and equipment	**12**	21
Goodwill allocated to disposals	**(7)**	(14)
Net profit on sale of property, plant and equipment	**5**	7

During the year 230 pubs (2013: 428 pubs) and various other plots of land with a book value of £61 million (2013: £127 million) were sold generating gross proceeds of £80 million (2013: £157 million) which, after taking account of disposal costs of £7 million (2013: £9 million), resulted in an overall profit of £12 million (2013: £21 million).

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 £7 million (2013: £14 million) has been allocated to the 230 pubs disposed of during the year (2013: 428 pub disposals).

5. Movements in valuation of the pub estate and related assets

	2014 £m	2013 £m
Movements in property, plant and equipment from revaluation of pub estate (see note 10)	**(42)**	(84)
Revaluation of assets on transfer to non-current assets held for sale (see note 10)	**(33)**	(81)
	(75)	(165)

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 £75 million. Of this write-down, £33 million has been debited to Other Comprehensive Income and £42 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 revalued on transfer to non-current assets held for sale, a total net write-down of £38 million has been recorded. Of this net write-down, £5 million has been debited to Other Comprehensive Income and £33 million has been charged to the Income Statement as an exceptional item. At the year end, there are 118 pubs (2013: 138 pubs) included within non-current assets held for sale which have been recorded at the lower of carrying value on transfer to non-current assets held for sale, as assessed at the time of transfer, and fair value less costs to sell.

6. Exceptional net finance costs

	2014 £m	2013 £m
Other interest payable and finance costs	**(2)**	(4)
Gain on purchase of own debt	**-**	1
	(2)	(3)

The exceptional other interest payable and finance costs in the year of £2 million (2013: £4 million) relates to interest accrued on tax provisions and existing finance arrangement fees written off following the Group's commitment to a new revolving credit facility which has been classified as an extinguishment of the existing forward start facility.

During the year ended 30 September 2014, £10 million (2013: £9 million) Unique securitised bonds were purchased and cancelled at an average purchase price of 100p (2013: 95p) for each £1 of nominal value generating a gain of £nil (2013: £1 million), shown in the Income Statement as an exceptional item.

7. 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 £2 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 £10 million relating to the revaluation of the pub estate and net profit on disposal of pubs recognised in the Income Statement also reduces the deferred tax liability.

An exceptional tax credit of £8 million has been recognised in relation to all other exceptional items in the Income Statement. The total exceptional tax credit is therefore £20 million (2013: £64 million).

The UK Government reduced the rate of corporation tax by 2% from 23% to 21% effective from 1 April 2014 and announced its intention to reduce the rate further by 1% to 20% by 1 April 2015. Deferred taxation has been calculated based on the current substantively enacted rate of 20%.

8. Taxation

The pre-exceptional tax charge of £26 million (2013: £26 million) for the year equates to an effective tax rate of 21.5% (2013: 21.5%). The effective tax rate does not include the effect of exceptional items.

9. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to Ordinary Shareholders for the year divided by 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 attributable to Ordinary Shareholders adjusted for the effects of exceptional items, net of tax divided by 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.

For the year ended 30 September 2014, diluted earnings per share is based on the profit adjusted to remove the interest cost associated with the convertible loan note of £4.7 million (2013: £nil) divided by the weighted average number of equity shares in issue during the year adjusted for dilutive ordinary shares relating to share options and the convertible loan note. For the year ended 30 September 2013, any potential ordinary shares to be included when considering diluted earnings per share were antidilutive. As a result there was no difference between basic earnings per share and basic diluted earnings per share, or between adjusted earnings per share and adjusted diluted earnings per share.

	2014		2013	
	Earnings	**Per share amount**	Earnings	Per share amount
	£m	**p**	£m	p
Basic profit/(loss) per share	**29.7**	**5.9**	(4.0)	(0.8)
Diluted profit/(loss) per share	**34.4**	**6.1**	(4.0)	(0.8)
Adjusted profit per share	**94.9**	**19.0**	94.9	19.0
Adjusted diluted profit per share	**99.6**	**17.8**	94.9	19.0

	2014	2013
	m	m
Weighted average number of shares	**500.5**	499.5
Dilutive share options	**9.7**	-
Dilutive convertible loan note shares	**50.8**	-
Diluted weighted average number of shares	**561.0**	499.5

10. 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 2013	3,727	251	35	4,013
Additions	41	30	3	74
Revaluation:				
- Recognised in the Statement of Comprehensive Income	(33)	-	-	(33)
- Recognised in the Income Statement	(42)	-	-	(42)
Revaluation of assets on transfer to non-current assets held for sale:				
- Recognised in the Statement of Comprehensive Income	(5)	-	-	(5)
- Recognised in the Income Statement	(33)	-	-	(33)
Net transfers to non-current assets held for sale	(42)	(11)	-	(53)
Disposals	-	(11)	(1)	(12)
At 30 September 2014	**3,613**	**259**	**37**	**3,909**
Depreciation				
At 1 October 2013	15	40	11	66
Charge for the period	2	12	2	16
Net transfers to non-current assets held for sale	-	(2)	-	(2)
Disposals	-	(4)	(1)	(5)
At 30 September 2014	**17**	**46**	**12**	**75**
Net book value				
At 30 September 2014	**3,596**	**213**	**25**	**3,834**
At 30 September 2013	3,712	211	24	3,947

11. Non-current assets held for sale

	2014 **£m**	2013 £m
At 1 October	**39**	46
Net transfer from property, plant and equipment	**51**	113
Write-down to fair value less costs to sell	**(1)**	(1)
Disposals	**(59)**	(119)
At 30 September	**30**	39
Representing:		
Property, plant and equipment	**30**	39

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 revalued at that point to their fair value less costs to sell. At the end of the year non-current assets held for sale includes 118 pubs (2013: 138 pubs) which are expected to be sold within the next year.

12. Additional cash flow information

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

	2014	2013
	£m	£m
(Decrease)/increase in cash in the year	**(21)**	19
Cash outflow from change in debt	**139**	176
Issue costs of new long-term loans	**-**	2
Movement in finance lease payables	**1**	-
Change in net debt resulting from cash flows	**119**	197
Amortisation of issue costs and discounts/premiums on long-term loans	**(4)**	(8)
Gain on purchase of own debt	**-**	1
Amortisation of securitised bonds	**4**	5
Convertible loan note effective interest	**(2)**	-
Movement in convertible bond reserve	**-**	21
Movement in net debt in the year	**117**	216
Net debt at start of year	**(2,521)**	(2,737)
Net debt at end of year	**(2,404)**	(2,521)

b) Analysis of net debt

	2014	2013
	£m	£m
Bank borrowings	**(81)**	(81)
Corporate bonds	**(1,222)**	(1,282)
Securitised bonds	**(1,221)**	(1,300)
Gross debt	**(2,524)**	(2,663)
Cash	**123**	144
Underlying net debt	**(2,401)**	(2,519)
Capitalised debt issue costs	**11**	15
Fair value adjustments on acquisition of bonds	**(30)**	(34)
Convertible loan note effective interest	**(2)**	-
Convertible bond reserve	**21**	21
Finance lease payables	**(3)**	(4)
Net debt	**(2,404)**	(2,521)
Balance sheet:		
Current financial liabilities	**(109)**	(129)
Non-current financial liabilities	**(2,418)**	(2,536)
Cash	**123**	144
Net debt	**(2,404)**	(2,521)

Underlying net debt represents amounts repayable to banks and other lenders net of cash retained in the business. Cash includes £83 million held in the securitised Unique sub-group, of which £65 million is held in a securitised Reserve account.

13. Pension

In January 1999, RetailLink Management Limited (a subsidiary company that was liquidated as part of a Group reorganisation) established a pension plan for its employees, which included a defined contribution and defined benefit scheme. In April 2014, the Trustees of the RetailLink Management Limited pension plan (the Plan) and the Company committed to a bulk annuity buyout of the defined benefit section of the Plan, crystallising a liability of £10 million payable through a deferred payment schedule over the next 4 years. The initial stage of this process has now been completed and involved the Trustees using the Plan's defined benefit section assets to purchase a bulk annuity policy from Legal & General Assurance Society Limited (LGAS). The policies commenced with effect from 30 April 2014 and will be held for the time being as investments of the Plan. Once the deferred premiums have been paid, the Trustees intend to ask LGAS to issue individual annuity policies to defined benefit section members and then wind-up the Plan, after which the Company will no longer retain any responsibilities or obligations to the members of the Plan. As a result of the above arrangements, a provision for a settlement charge of £10 million has been recorded within exceptional administration costs.

14. Post Balance Sheet events

On 7 October 2014 the Group completed a partial refinancing of the 2018 corporate bond. The partial refinancing will result in a lower interest cost and an extended debt maturity. Prior to the refinancing £600 million of 2018 secured corporate bonds were outstanding with a coupon of 6.5%. The Group received and accepted tender instructions for £249.5 million of these bonds at a cash purchase price of 108.75% of their principal amount. In connection with this partial refinancing the Group issued a new £249.5 million secured corporate bond due in October 2023 at a coupon of 6.0%, resulting in a reduction of the corporate bond due in 2018 to £350.5 million. The new issue benefits from a security package on substantially the same terms as the 2018 bonds.

On 7 October 2014 the Group also replaced the bank facilities with a new £138 million non-amortising revolving credit facility which is available through to September 2018. This extends the maturity of the previous facility and also benefits from improved terms, simplified covenants and lower pricing with a new interest rate of 300 basis points above LIBOR.

The total cash outflow arising from the bank and bond refinancing was £28 million, being £22 million in respect of the repurchase premium on the bond, which will be charged as an exceptional item, and total fees and disbursements of £6 million, of which £4 million will be charged as an exceptional item and £2 million will be deferred over the life of the new debt instruments. The exceptional charges and all of the cashflows will be recorded in the year ended 30 September 2015.

ADDITIONAL INFORMATION

Principal risks and uncertainties

This section highlights the principal risks and uncertainties facing the Group. Further details of the principal risks and uncertainties are set out in the Annual Report and Accounts. 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 primary liquidity risk is the requirement to meet all on-going finance costs and repayments as well as meet the financial covenants associated with the financing structure.

Mitigation process: The cash inflow required in the next twelve months to meet our funding needs is expected to be generated from the operating cashflow of the business. 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.

On 7 October 2014 the Group completed a refinancing which resulted in the bank borrowings being extended to 2018 and the balance of Corporate Bonds due for redemption in 2018 being reduced from £600 million to £350 million, the balance being moved out to 2023.

Operational risks

Operational risks present in the Group's business include 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

Following a prolonged consultation regarding the introduction of a Statutory Code the Government issued its response on 3 June 2014. It is proposed by the Government that there will be a Statutory Code and an independent Adjudicator appointed to oversee the Code. Although this removed some of the uncertainty in the sector, our main concerns are the final outcome of the parliamentary process, the potential costs of implementation and the operation of the regime and how this affects our relationship with Publicans.

Other risks include reputational risk arising from the possibility of legal, statutory proceedings and health and safety incidents. There is also 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. The Group actively engages with Government, trade bodies and stakeholders to evolve the tied pub model and will participate in the BIS consultation process as appropriate.