30 November 2004

ENTERPRISE INNS PLC
PRELIMINARY ANNOUNCEMENT
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2004

	2004	2003	Increase
Operating profit before exceptional items	£402.7m	£293.2m	37%
Profit before tax and exceptional items	£231.2m	£173.2m	33%
Adjusted earnings per share * +	47.5p	36.1p	32%
Dividends +	12.0p	8.55p	40%

** Excludes exceptional items, goodwill amortisation and a one-off tax credit in 2003.*

+ For the comparative period adjusted earnings per share and dividends have been restated for the sub-division of shares, from 10 pence per share to 5 pence per share, on 23 January 2004.

- The acquisition of the balance of the equity in The Unique Pub Company Limited (Unique) was completed on 31 March 2004 at a cost of £608.9m. The results include a full contribution from Unique in the second half of the year and a 16.8% share of Unique's profit in the first half of the year.
- Average operating profit per pub in the core estate increased by 8% in the year.
- Continuing focus on quality – more than £50m invested in the estate.
- At 30 September 2004 the estate comprised 8,727 pubs valued at £4.9bn.

Ted Tuppen, Chief Executive, commented:

"This has been a busy and successful year for Enterprise, and we have delivered substantial growth in earnings and dividends to our shareholders.

Our strategy remains focussed on building shareholder value through the development of our licensed estate and the optimal use of the cash flows which are generated. Operationally, the priority during the current year is to complete the integration of Unique and to strive for continuous improvement in all aspects of our business.

The enlarged estate provides us with many opportunities for profitable growth and strong cash generation. The new financial year has started well and we look forward to another year of solid progress."

Enquiries:

Enterprise Inns plc

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The investor presentation will be available on the company website at www.enterpriseinns.com/presentation

Results

2004 has been another year of strong progress for Enterprise Inns. Total operating profit before exceptional items increased by 37% to £402.7 million, driven by like-for-like operating profit growth of 8% in the core estate and the successful acquisition of Unique at the end of March 2004. Profit before tax and exceptional items rose by 33% to £231.2 million. Adjusted earnings per share increased by 32% to 47.5 pence.

Dividend

The directors are recommending a final dividend of 8.4 pence per share, making a total for the year of 12.0 pence per share, an increase of 40% over the prior year. This will be payable on 24 January 2005. Dividend cover, at nearly 4 times adjusted earnings per share, remains high and in this financial year we anticipate continuing the policy of setting dividend levels broadly in line with earnings growth. The policy for future years will be reviewed taking account of the needs of the business and having consulted with shareholders. We expect to announce the outcome of this review with our preliminary results for the year ending 30 September 2005.

Pub Estate

At the start of the financial year the estate comprised 5,087 pubs. The acquisition of Unique added 4,054 pubs to the estate. During the course of the year 22 pubs were acquired at a cost of £12.9 million and 197 individual pubs were sold, realising proceeds of £49.5 million. In addition, on 14 April 2004, the sale of 239 pubs to Admiral Taverns was completed realising proceeds of £61.0 million, net of disposal costs. This sale reduced the number of pubs owned by the Group to no more than 25% of the total number of pubs in any Petty Sessional Division (PSD). Subsequently, in line with its practice in similar transactions where the merged companies own less than the 25% threshold of pubs in any PSD, the Office of Fair Trading decided not to refer the acquisition of Unique to the Competition Commission. At the end of the financial year the estate comprised 8,727 pubs.

Commitment to Quality

As the pub market in the UK continues to mature and improve, it becomes ever clearer that the average pub goer is more discerning and that quality is what counts as the deciding factor in the success of a pub.

Our recognition of the importance of quality has driven our strategic direction over the past few years. We have only made acquisitions, individual or corporate, that have improved the overall quality and potential of our estate. We have constantly reviewed our estate to identify and dispose of those outlets which we do not consider to have long term potential and we have invested, alongside licensees, in unlocking additional profits where appropriate.

Excluding the acquisition of Unique, we have this year purchased 22 pubs for a total consideration of £12.9 million. We have of course looked at many more, including some corporate sales, but did not bid for these as they did not meet our strategic criteria. In addition to the 239 pubs which we decided to sell to meet possible competition concerns and for which we received proceeds in line with book value of £61 million, we sold a further 197 pubs for a consideration of £49.5 million, giving an overall profit for the year of £1.3 million.

We continued to invest in our pubs alongside licensees, spending more than £50 million on the enlarged estate. We estimate that our licensees spent a further £60 million on an annualised basis, indicating that together we are investing more than 5% of estimated pub turnover in maintaining and improving the quality of our pubs. Whilst an unbranded estate such as ours does not require the same levels of maintenance capital expenditure as most branded outlets, we are confident that these levels of investment more than maintain our competitive position in the marketplace.

Our commitment to quality and our joint expenditure with licensees is proving to be highly effective and has helped to improve the quality, value and earnings potential of our pubs, with average operating profit per pub up to £55,800 for the enlarged estate.

Licensee performance

Developing a pub estate of high quality and long term potential is a critical ingredient for a successful pub company. The pubs are however no more than bricks and mortar unless we are able to attract and retain the best quality licensees.

It is therefore vital that our pubs provide a worthwhile living for our hard-working licensees and in this respect we are pleased that our estimated average licensee profit has increased by 8% during the year, driven equally by organic growth and the improving quality of the estate. There are now just 152 pubs in the enlarged estate where earnings potential is less than £15,000, whilst more than two thirds have potential earnings of more than £30,000, almost half of those more than £45,000.

Once again, we take comfort from continuing improvements in certain key performance indicators. In the enlarged estate of 8727 pubs:

- More than 94% of pubs are let on substantive leases or tenancies;
- Bad debt costs for the year reduced to just 0.2% of sales turnover, down from 0.3% last year;
- Rent concessions at 30th September 2004 amounted to just 0.4% of the total rent roll, down from 0.5% last year;
- Over the past year, we have completed more than 1200 rent reviews, with just 5 going through any form of arbitration before being agreed. Of those which went to arbitration, all were found in our favour.
- Our database has more than 700 fully funded, screened, quality applicants for pubs, three times the number available to let.

We remain convinced that the leased and tenanted format provides a low-cost opportunity for entrepreneurial licensees to run their own businesses, offering to the consumer a wide range of non-formulaic retail styles and huge choice of top quality products.

Unique Pub Company

At the end of March 2004, we completed the acquisition of Unique Pub Company, which had for the past two years been independently managed as an associate business. At the half year our 16.8% share of Unique's operating profit before exceptional items was £19.0 million, accounted for as an Associate Company, whereas in the second half of the year the operating profit, before exceptional costs, of the Unique business was £123.0 million.

The business is performing comfortably in line with our expectations, generating earnings before interest and tax of £239 million in the twelve months to 30th September 2004.

As anticipated, we are dealing with the integration in two stages, firstly transferring all administrative functions to our head office in Solihull. Thanks to the efforts of the Enterprise team and the cooperation of Unique staff, this process has been highly successful and from 1 September 2004 all functions had been transferred and the closure of the Unique offices put into effect.

During this period we have also renegotiated substantially all of the supply arrangements common to each company. We have always maintained close and cooperative relationships with our suppliers and I am pleased that these renegotiations were very positive and resulted in buying synergies in line with our expectations.

Both closure and redundancy costs of £15 million and resulting cost savings and buying synergies of around £25 million per annum are in line with our expectations.

The two estates are now running in parallel, albeit with common telesales, distribution and administration. It therefore remains for us to integrate the field-based operations of the estates, planned for April next year. This will involve some disruption for the field team and for licensees alike but with careful planning and regular communication, we do not expect major issues to arise.

Legislative background

We are pleased that the Licensing Act 2003 has reached the statute books and that it will become a reality during 2005. If Local Authorities follow the spirit of the new legislation as set out in the Act, then we can look forward to greater flexibility in licensing for the benefit of licensees and consumers alike and, potentially, the development of a more civilised drinking culture across the UK. We will be working hard with our licensees to ensure that they both understand the legislation and benefit from the opportunities it brings.

The legislation is however arriving at a time of increasing concern about binge drinking and, in particular, its impact on anti social behaviour. We are pleased that both the Prime Minister and the Home Office recognise that the problems are associated with a small minority of the population and that the solution is to target those outlets and individuals who encourage or engage in anti social behaviour and to use existing police and local authority powers to deal with them.

There is no place in our industry for irresponsible low pricing and promotions. A well run pub is the home of responsible drinking, a controlled environment able to promote sensible, social drinking, more often than not accompanied by great food and entertainment.

High on the agenda are also the Government's proposals for the banning of smoking in public places, as outlined in the recent Public Health White Paper. Enterprise has been at the forefront of an industry initiative to introduce a substantial reduction in smoking over the next four years and we are pleased that the Government appears to have taken account of these proposals. We share their view that a key element of any strategy should be the protection of staff and we are therefore proposing a ban on smoking behind or near the bar or serving areas within the next twelve months, in line with what is rapidly becoming common practice across the whole pub sector and ahead of the deadlines suggested in the White Paper.

The Government is also looking at a sensible period of consultation on the White Paper, with implementation not scheduled until the end of 2008, by which time the industry initiative would in any event have increased the no smoking areas in pubs to 80% of the floor area. Government proposals currently envisage the division of the industry into non-smoking food pubs and wet led pubs and clubs where smoking is permitted. We hope that through the consultation process the Government will permit segregated smoking and non-smoking areas within pubs, thus protecting those excellent rural and community outlets which not only provide such an important service to their communities, but also rely upon this broad range of trade to support a sustainable business. In the end, working with Government, we are confident that the Government's objectives for the reduction of smoking can be achieved without putting many smaller pubs under pressure, with the resulting protection of jobs, tax revenues and amenity.

Board Composition

Earlier this month we announced the appointment of Susan Murray as an independent non-executive director of the Company. Susan brings extensive experience of both the drinks and retail sectors, which will be invaluable to the Company as we move into the next phase of our growth. At the same time, we announced that Michael Garner, Senior Independent Director, will be retiring from the Board at the conclusion of the Annual General Meeting on 20 January 2005. Michael joined the Board in September 1995, immediately prior to the Company's flotation, and has made an outstanding contribution to the successful development of Enterprise over the past nine years. We record our warmest thanks and appreciation of his wise counsel. Jo Stewart, who has served on the Board since May, 2001 will succeed Michael as Senior Independent Director.

Conclusion

This has been a busy and successful year for Enterprise. Working alongside our licensees, we have seen mutual growth in earnings in a market which remains highly competitive and regulated.

Without doubt, our commitment to quality drives our success. It may be a truism, but good pubs tend to do well and to get even better, gaining customers and reputation as they go. There are so many quality reasons why people go to a particular pub and poor pubs, often offering little other than cheap beer in dull surroundings, are losing and will continue to lose market share.

The head office and field based teams at Enterprise continue to perform ahead of expectations, tackling the challenge of an almost doubling in our size over the past year, enthusiastically working towards achieving our goal of providing the best service to our pub estate in the most efficient and cost effective way possible.

Once again we have delivered substantial growth in earnings and dividends to our shareholders, through our commitment to appropriate operating disciplines and steady growth in the core business, enhanced by the effective use of our strong and predictable cash flows.

The new financial year has started well and the team look forward to another exciting and challenging year of continued success and long term growth in shareholder value.

GROUP PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2004

	2004 Continuing Operations	2004 Acquisition of Unique **	2004 Sub-total Pre share of Associate	2004 Share of Associate Unique*	2004 Total	2003 Continuing Operations	2003 Share of Associate Unique*	2003 Total
	£m	£m	£m	£m	£m	£m	£m	£m
Turnover	487.6	225.1	712.7	-	712.7	480.6	-	480.6
Cost of sales	(217.5)	(97.5)	(315.0)	-	(315.0)	(217.7)	-	(217.7)
Gross profit	270.1	127.6	397.7	-	397.7	262.9	-	262.9
Administrative expenses	(28.5)	(11.8)	(40.3)	-	(40.3)	(29.7)	-	(29.7)
Exceptional administrative expenses	-	(14.8)	(14.8)	-	(14.8)	-	-	-
Other operating income	19.1	7.2	26.3	-	26.3	21.0	-	21.0
Group operating profit	260.7	108.2	368.9	-	368.9	254.2	-	254.2
Share of operating profit of associate	-	-	-	19.0	19.0	-	39.0	39.0
Total operating profit	260.7	108.2	368.9	19.0	387.9	254.2	39.0	293.2
Net profit/(loss) on disposal of tangible fixed assets	0.3	1.0	1.3	0.1	1.4	0.1	(0.2)	(0.1)
Profit on ordinary activities before interest and taxation	261.0	109.2	370.2	19.1	389.3	254.3	38.8	293.1
Interest receivable and similar income			9.5	-	9.5	10.1	-	10.1
Interest payable and similar charges			(167.3)	(13.7)	(181.0)	(102.1)	(28.0)	(130.1)
Exceptional interest payable and similar charges			(4.6)	-	(4.6)	-	-	-
			(162.4)	(13.7)	(176.1)	(92.0)	(28.0)	(120.0)
Profit on ordinary activities before taxation			207.8	5.4	213.2	162.3	10.8	173.1
Tax on profit on ordinary activities			(64.1)	(1.6)	(65.7)	(45.6)	(3.0)	(48.6)
Profit on ordinary activities after taxation and attributable to members of the parent company			143.7	3.8	147.5	116.7	7.8	124.5
Ordinary dividends on equity shares			(41.2)	-	(41.2)	(29.0)	-	(29.0)
Retained profit for the year			102.5	3.8	106.3	87.7	7.8	95.5
Earnings per share								
Basic					43.0p			36.8p+
Adjusted†					47.5p			36.1p+
Diluted					42.3p			36.5p+

* represents a contribution of 16.8% of the consolidated results of The Unique Pub Company Limited and its subsidiaries for the full year ended 30 September 2003 and for the six months from 1 October 2003 to the date of acquisition.
** represents the full consolidated results of The Unique Pub Company Limited and its subsidiaries for the six months from the date of acquisition to 30 September 2004.
+ restated for the sub-division of shares from 10 pence to 5 pence per share on 23 January 2004.
† excludes exceptional items, goodwill amortisation and a one-off tax credit in 2003.

GROUP BALANCE SHEET
At 30 September 2004

	2004 £m	Restated 2003* £m
Fixed Assets		
Intangible assets	**79.6**	46.3
Tangible assets	**4,931.8**	2,524.8
Investments in associated undertakings	**0.2**	121.3
	5,011.6	2,692.4
Current Assets		
Assets held for resale	**4.6**	4.3
Debtors	**85.7**	39.5
Cash at bank and in hand	**146.7**	3.9
	237.0	47.7
Creditors: amounts falling due within one year	**(309.4)**	(306.4)
Net current liabilities	**(72.4)**	(258.7)
Total assets less current liabilities	**4,939.2**	2,433.7
Creditors: amounts falling due after more than one year	**(3,509.2)**	(1,276.1)
Provision for liabilities and charges	**(73.7)**	(76.2)
Net assets excluding pension liability	**1,356.3**	1,081.4
Pension liability	**(2.7)**	-
	1,353.6	1,081.4
Capital and reserves		
Called up share capital	**17.5**	17.0
Share premium account	**485.5**	434.8
Revaluation reserve	**541.8**	402.3
Capital redemption reserve	**7.6**	7.6
Merger reserve	**77.0**	77.0
Other reserve – treasury shares	**(28.1)**	(4.4)
Profit and loss account	**252.3**	147.1
Equity shareholders' funds	**1,353.6**	1,081.4

* restated for the change in accounting policy as described in note 1.

GROUP STATEMENT OF CASH FLOWS
For the year ended 30 September 2004

	2004 £m	2003 £m
Net cash inflow from operating activities	**403.2**	269.0
Return of investments and servicing of finance		
Interest received	**13.1**	0.5
Interest paid	**(171.4)**	(84.0)
Issue costs of long-term loans	**(9.9)**	(1.9)
	(168.2)	(85.4)
Taxation	**(36.3)**	(16.5)
Capital expenditure and financial investment		
Payments to acquire public houses	**(12.9)**	(16.2)
Payments made on improvements to public houses	**(50.9)**	(22.0)
Payments to acquire other fixed assets	**(1.8)**	(2.5)
Receipts from sales of tangible fixed assets	**110.5**	40.8
Payments to acquire investments – own shares	**(24.3)**	(2.1)
	20.6	(2.0)
Acquisitions and disposals		
Purchase of subsidiaries *	**(247.4)**	-
Net cash acquired with subsidiaries	**191.3**	-
Expenses of acquisition paid	**(2.6)**	-
	(58.7)	-
Equity dividends paid	**(31.8)**	(25.5)
Cash inflow before financing	**128.8**	139.6
Financing		
Issue of ordinary share capital	**51.5**	1.4
Share issue costs	**(0.3)**	-
Debt due within one year – new short-term loans	**30.0**	130
- repayment of short-term loans	**(160.0)**	(60.5)
Debt due beyond one year – new long-term loans	**1,028.2**	307.5
- repayment of long-term loans	**(573.9)**	(515.0)
Repayment of Deep Discount Bonds*	**(361.5)**	-
	14.0	(136.6)
Increase in cash	**142.8**	3.0

*Principal elements of cash consideration of purchase of subsidiary totalling £608.9m.

NOTES TO THE ACCOUNTS
At 30 September 2004

1. **Accounting Policies**

Basis of preparation

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

For the year ending 30 September 2004 the Group has complied with the provisions of UITF 37 – Purchase and sales of own shares and UITF 38 – Accounting for ESOP Trusts. These provisions have been adopted in the accounts and prior year reserves have been restated accordingly. As a result of this, investment in own shares, with a cost of £4.4m at 30 September 2003 have been reclassified to other reserve – treasury shares. The associated provision against this investment of £3.5m at 30 September 2003 has been reclassified to Profit and Loss Account reserves. No adjustment has been made to the comparative Profit and Loss Accounts as the amounts involved are immaterial. The current year Profit and Loss Account charge is £1.6 million.

Prior to becoming a subsidiary undertaking, Unique was accounted for as an associated undertaking. In accordance with FRS 2 – 'Accounting for Subsidiary Undertakings', and in order to give a true and fair view, purchased goodwill has been calculated as the sum of the goodwill arising on each purchase of shares in Unique, being the difference at the date of each purchase between the fair value of the consideration paid and the fair value of the identifiable assets and liabilities attributable to the interest purchased.

The statutory method would not give a true and fair view because it would result in the Group's share of Unique's retained profits, actuarial loss on the defined benefit pension scheme and revaluation surplus during the period that it was an associated undertaking, being recharacterised as goodwill. As a result of this, the Group's share of Unique's retained profits and revaluation surplus totaling £40.5m is included within the total cost of acquisition when arriving at the goodwill on acquisition.

This represents a departure from the statutory method, under which goodwill is calculated as the difference between cost and fair value on the date that Unique became a subsidiary undertaking. FRS2 recognises that, where an investment in an associate undertaking is increased and it becomes a subsidiary undertaking, in order to show a true and fair view, goodwill should be calculated on each purchase as the difference between the cost of that purchase and the fair value at the date of that purchase.

NOTES TO THE ACCOUNTS
At 30 September 2004

2. Group statement of total recognised gains and losses

	2004 £m	2003 £m
Profit for the financial year excluding share of associated undertakings	**143.7**	116.7
Share of profit in associated undertakings for the financial period	**3.8**	7.8
Profit for the financial year attributable to members of the parent company	**147.5**	124.5
Unrealised surplus on revaluation of licensed estate	**133.3**	283.5
Share of unrealised surplus on revaluation of licensed estate in associate	**4.7**	9.6
Share of actuarial loss in the defined benefit pension scheme of associate	**-**	(0.4)
Actuarial loss recognised in the defined benefit pension scheme of subsidiary	**(0.7)**	-
Movement of deferred tax asset related to pension scheme deficit	**0.1**	-
Total recognised gains and losses relating to the year	**284.9**	417.2
Prior year adjustment (note 1)	**3.5**	-
Total gains and losses recognised since last annual report	**288.4**	417.2

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

	2004 £m	2003 £m
Increase in cash in the year	**142.8**	3.0
Cash outflow from change in net debt	**37.1**	138.0
Issue costs of new long-term loans	**9.9**	2.0
Change in net debt resulting from cash flows	**189.8**	143.0
Acquired with subsidiaries	**(2,171.0)**	-
Amortisation of issue costs and discounts/premiums on long-term loans	**(4.0)**	(5.6)
Amortisation of interest rate swap	**7.7**	3.3
Provision against interest rate swap	**(2.5)**	-
Write off of unamortised issue costs	**(4.6)**	-
Movement in net debt in the year	**(1,984.6)**	140.7
Net debt at 1 October	**(1,404.8)**	(1,545.5)
Net debt at 30 September	**(3,389.4)**	(1,404.8)

NOTES TO THE ACCOUNTS
At 30 September 2004

4. Reconciliation of shareholders' funds

	2004	2003
	£m	£m
Total recognised gains and losses	**284.9**	417.2
Dividends	**(41.2)**	(29.0)
	243.7	388.2
New share capital subscribed	**0.5**	-
Premium on issue of shares	**50.7**	2.5
Consideration paid for purchase of own shares	**(24.3)**	-
Cost of shares issued through the Quest sharesave scheme	**-**	(1.9)
Share-based expense recognised in operating profit	**1.6**	-
Net addition to shareholders' funds	**272.2**	388.8
Opening shareholders' funds as previously reported	**1,082.3**	693.5
Prior year adjustment (note 1)	**(0.9)**	(0.9)
Opening shareholders' funds as restated	**1,081.4**	692.6
Closing shareholders' funds	**1,353.6**	1,081.4

5. Dividends

	2004	2003
	£m	£m
Ordinary dividends on equity shares:		
Interim paid 3.6 pence (2003 – 2.85pence *)	**12.5**	9.6
Final proposed 8.4 pence (2003 – 5.7 pence*)	**28.7**	19.4
	41.2	29.0

*Prior year dividends per share have been restated to take account of the sub-division of ordinary shares from 10 pence to 5 pence per share on 23 January 2004.

It is proposed that the ex-dividend date will be 29 December 2004.

6. Earnings per share

The calculation of basic earnings per ordinary share is based on earnings of £147.5m (2003 — £124.5m) and on 342,806,374 (2003 — 337,987,140*) shares being the weighted average number of equity shares in issue during the year after excluding shares held by trusts relating to employee share options.

Adjusted earnings per share, which the directors believe reflects the underlying performance of the Group, is based on earnings adjusted for the effects of exceptional items, net of tax and goodwill amortisation of £163.1m (2003 — £122.2m which included a one off tax credit) and on 342,806,374 (2003 — 337,987,140*) 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.

*Prior year shares have been restated to take account of the sub-division of ordinary shares from 10 pence to 5 pence per share on 23 January 2004.

NOTES TO THE ACCOUNTS
At 30 September 2004

7. Operating profit

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

	2004	2003
	£m	£m
Operating profit	**368.9**	254.2
Depreciation and amortisation	**6.1**	3.9
Share-based expense recognised in operating profit	**1.6**	1.8
(Increase)/decrease in debtors	**(7.3)**	12.0
Increase/(decrease) in creditors	**31.5**	(6.3)
Decrease in assets held for resale	**2.4**	3.4
Net cash inflow from operating activities	**403.2**	269.0

8. Status of Information

The above financial information does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The comparative financial information is based on the statutory accounts for the financial year ended 30 September 2003. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.