HELPING RETAILERS BUILD BETTER BUSINESSES

FINANCIAL REVIEW

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Financial Review

- Results cover 52 weeks to 19 August 2006
- Results significantly enhanced by recent major acquisitions and disposals
  - 32 week contribution from Spirit Group, acquired 5 January 2006
- Reported on an IFRS basis
  - 2005 presented as announced on 27 April 2006

Strong Earnings Growth

£m	Existing Operations	Acquired (32 weeks)	Group	*growth*
Revenue	**802**	**745**	**1,546**	***101%***
EBITDA	**435**	**172**	**606**	***47%***
Depn, Amort	(15)	(31)	(46)	
Interest			(312)	
Property Profit			1	
PBT			**250**	***21%***
Tax			(55)	
Net Profit			**195**	***17%***
EPS			**74.9p**	***13%***

Excluding non-recurring and exceptional items

Improving Pub Estate

	Leased	Managed	Total
August 2005	8,227		8,227
Acquisitions	96	1,835*	1,931
Lease conversions	74	(74)	
Disposals	(551)	(351)	(902)
August 2006	7,846	1,410	9,256
net change	*-5%*		*13%*
Average estate size	7,945		
increase on last year	2%		

*Includes 5 pubs transferred from GRS Inns

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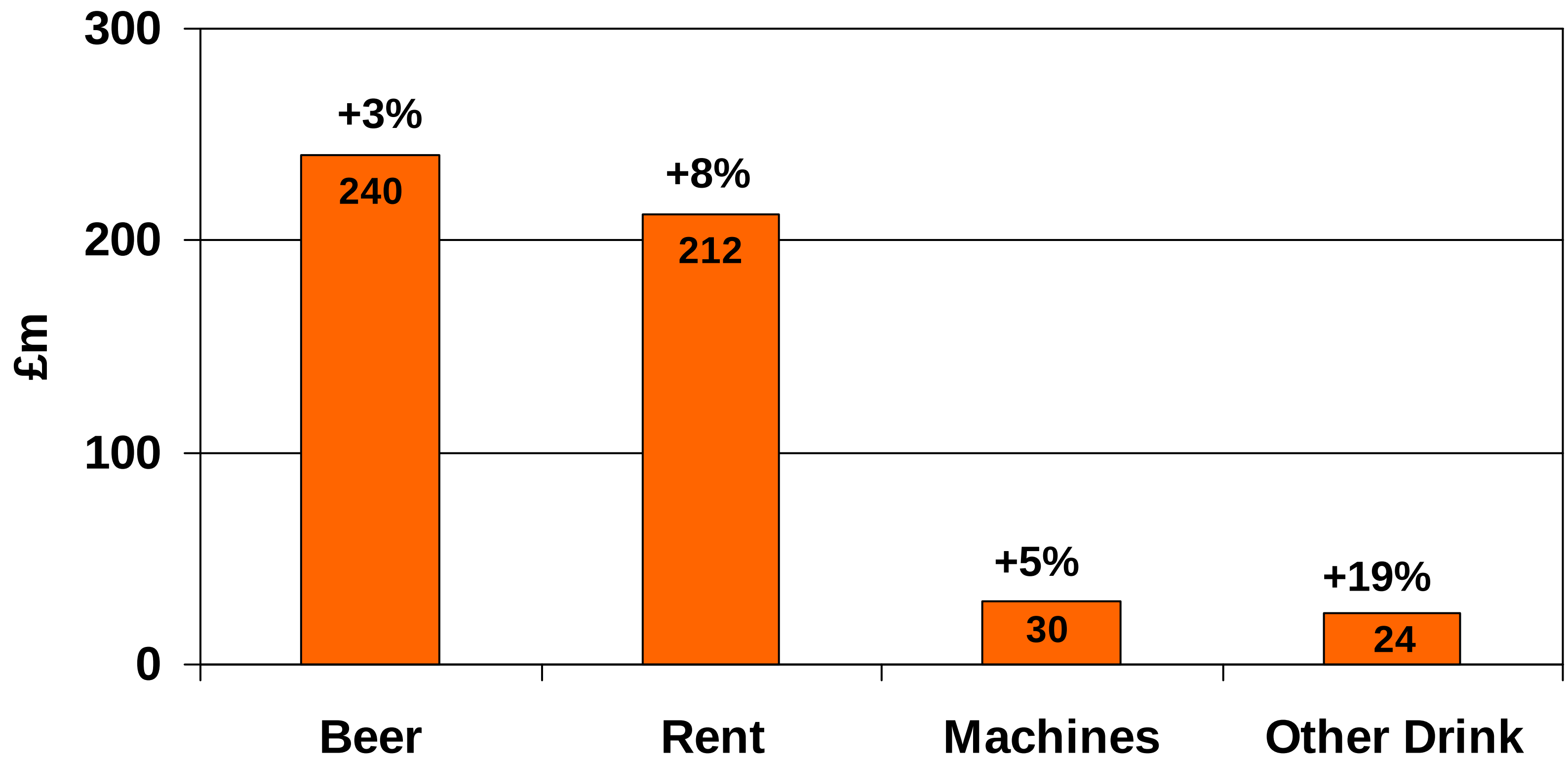
Profit Growth in the Leased Estate

52 weeks to 19th August	Total	*growth*
Average number of pubs	7,945	*2%*
£m		
Revenue:		
Beer	479	*3%*
Rent	212	*8%*
Machine income	30	*5%*
Other drinks	70	*8%*
GRS Inns *	12	
Total revenue	803	*4%*
Gross margin	507	*5%*
Costs	(71)	*-6%*
EBITDA	436	*5%*
Margin	*54%*	
EBITDA per pub	*£55k*	*4%*

- Like for like revenue growth +1.0%
- Like for like pub profit growth +1.9%

* GRS Inns was sold in June 2006

Leased Gross Margin



Excludes GRS Inns gross margin £1m

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Profit Growth in the Managed Estate

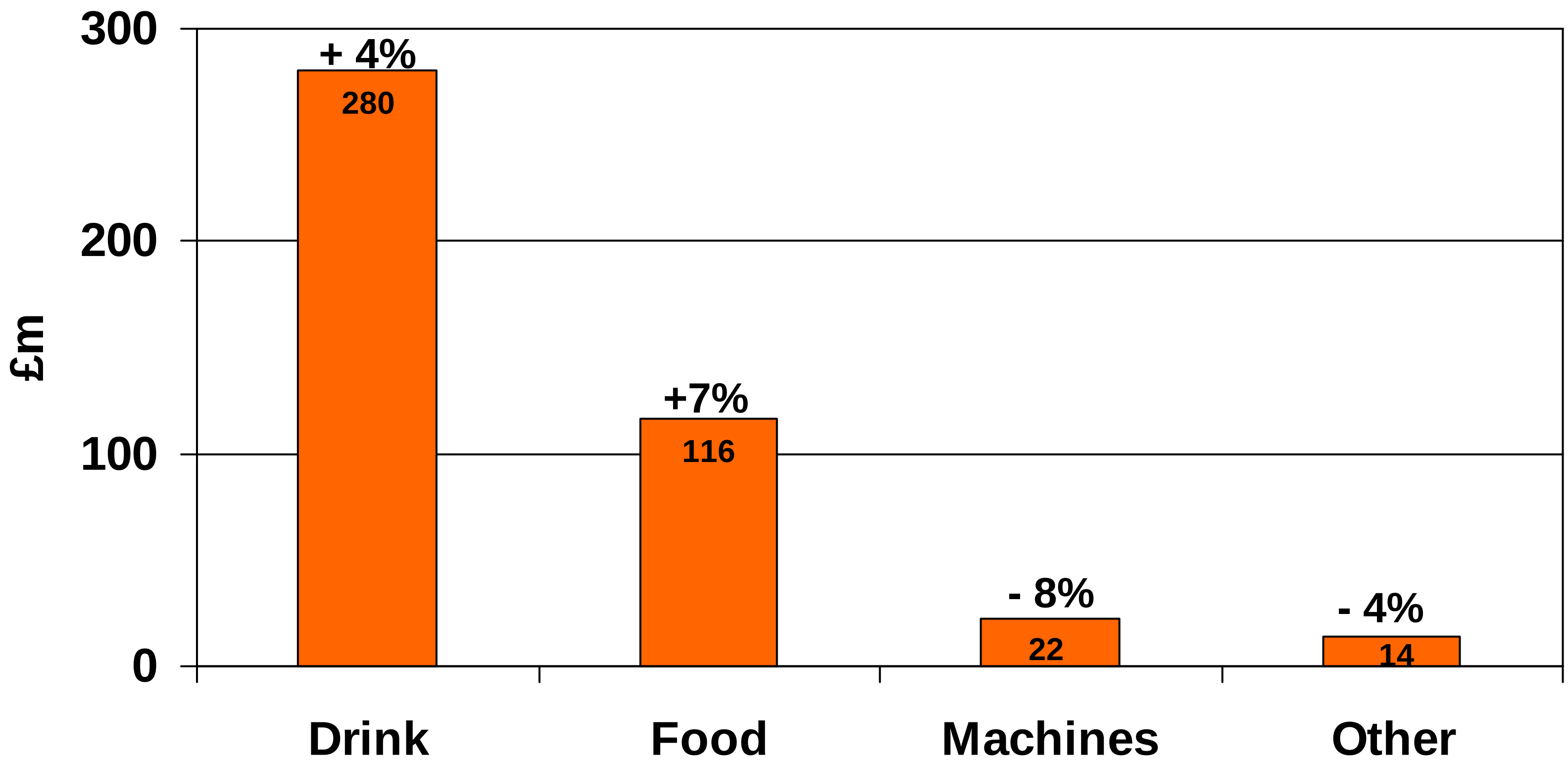
(32 weeks post acquisition)

£m	Closing estate	*growth*	Sold / Converted	Total
No. of Pubs	1,379		456	1,835
Drink	373	4%	90	463
Food	179	5%	55	234
Machines income	22	-8%	7	29
Other	14	-4%	3	17
Total revenue	**588**	**4%**	**155**	**743**
Gross margin	**432**	**4%**	**112**	**544**
Pub costs	(232)	-6%	(65)	(297)
Rent payable	(29)	-2%	(10)	(39)
Outlet EBITDA	**171**	**2%**	**37**	**208**
Overheads				(37)
EBITDA				**171**

- Like for like revenue growth +3.6%
- Like for like pub profit growth +2.4%

Closing estate refers to year end estate of 1,410 less 31 pubs sold pending completion at the year end

Managed Gross Margin



Numbers above refer to the closing estate

Group Cash Generation and Uses

£m	2006	2005*
EBITDA	606	414
Working capital, provisions, etc	(5)	(10)
Pension top up contributions	(34)	(1)
Tax paid	(32)	(14)
Cash generation	**535**	**389**
Infrastructure investment	(7)	(3)
Investment in leased pubs	(97)	(72)
Investment in managed pubs	(37)	0
Interest	(301)	(203)
Dividends	(32)	(25)
Cash generated pre funding, acquisitions and disposals	**61**	**86**
Acquisitions	(271)	(135)
Disposals	836	200
Financing	(309)	(71)
Net Increase in Cash	**317**	**80**

*Restated under IFRS

- Significant cash generation
- Increasing investment

- Acquisition of Spirit only £206m net of cash acquired

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Strong Balance Sheet

£m	**2006**	**2005***
Fixed assets	6,698	4,328
Goodwill	503	269
Working capital	(341)	(166)
Non current liabilities, provisions	(371)	(295)
Cash	562	246
Debt	(5,440)	(3,259)
Derivative financial instruments	(184)	0
Net assets	1,427	1,123
Net debt	*4,878*	*3,013*

- Estimated market value of pub estate £7bn
- 94% of estate is freehold or long leasehold
- Sophisticated debt structure
- 27% growth in net assets

*Restated under IFRS

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Efficient Debt Structure

	Nominal Value £m	Effective Interest Rate
Securitised debt		
Punch A	1,760	7.2%
Punch B	1,249	6.2%
Avebury	106	7.8%
Spirit	1,250	6.6%
Total	4,365	6.8%
Bank debt	622	6.6%
Convertible bonds	275	6.3%
Nominal Value	5,262	6.7%
Finance lease obligations	27	
Fair value adjustment	151	
Gross Debt	5,440	

- All debt is at fixed rates
- Securitised debt is investment grade and fully repaid over terms to 2035
- Spirit debt facility of £1,250m reduced to £621m at year end, now £502m
- Convertible bonds are repayable in 2010 but may be converted to equity

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Accounting Points

- Non-recurring and exceptional items
  - £8m licensing and reorganisation of Spirit Group
  - £40m credit on interest rate swaps
  - £21m tax credit
- Taxation
  - Effective tax charge of 22%. Likely to remain below 30% standard rate due to indexation of acquired asset base costs
  - Cash tax at 13% of PBT, due to capital allowances and utilisation of losses. Likely to remain below 30% standard rate.
- Spirit acquisition accounting
  - Transactions connected with the acquisition (including planned disposals) accounted for through fair values
  - Goodwill on Spirit acquisition revised to £235m, primarily relates to debt and financial instrument valuations

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Financial Review Summary

- Strong financial performance continues:
  - 28% pa compound growth in PBT in last 4 years
- Balance sheet and cash generation continue to provide robust platform for business growth

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