

# Interim Results 2007



Lloyds  Bar



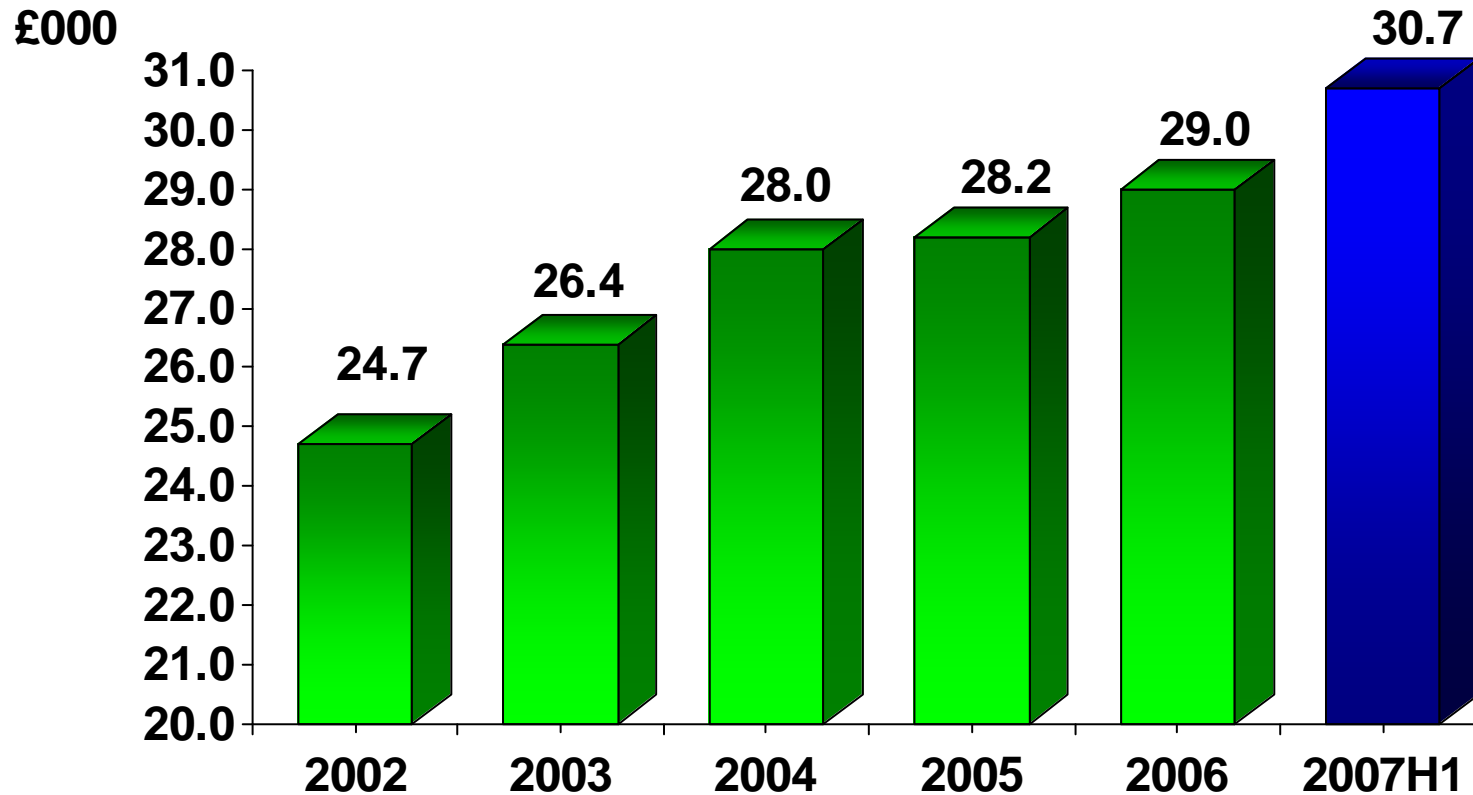
**2 March 2007**



# Highlights – Six Months to 28 January 2007

- Turnover up 8% to £438.4m
- Operating profit up 17% to £46.3m
- Profit before tax up 20% to £32.9m
- Earnings per share up 37% to 14.5p
- Free cash flow per share 17.0p (2006: 16.8p)
- Dividend per share 4.0p (2006: 1.6p)

# Average Sales Per Pub Week (including VAT)



**Record level of weekly sales**



# Like for Like Sales/Profits

%	H1			
	2007	2006	2005	2004
Bar	5.8	2.2	(1.4)	2.9
Food	9.8	3.6	2.1	4.2
Machine	6.4	(1.4)	(2.4)	6.1
<b>Total sales</b>	<b>7.4</b>	<b>2.0</b>	<b>(0.6)</b>	<b>3.4</b>
<b>LFL Profits</b>	<b>7.7</b>	<b>5.9</b>	<b>(4.0)</b>	<b>(0.7)</b>



# Pub Operating Margin

- Gross margin improvement
- Wages
  - pay rates
  - bonus payments
- Operating costs
  - utilities (+£3m)
  - rent/rates stable

**Increase of 70 basis points**



# Operating Margin - Summary

	H1 2007 £000	H1 2007 % of Sales	H1 2006 £000	H1 2006 % of Sales	FY 2006
Turnover	438,374	-	406,326	-	-
Pub Operating Profit	86,372	19.7	77,320	19.0	19.2
Head Office Costs	(17,040)	(3.9)	(15,681)	(3.9)	(3.9)
Share Incentive Plan	(1,352)	(0.3)	(811)	(0.1)	(0.3)
Depreciation	(21,920)	(5.0)	(21,136)	(5.2)	(5.1)
Gain on disposal	829	-	-	-	-
Impairment provision	(618)	-	-	-	-
Operating Profit	46,271	10.6	39,692	9.8	9.9

**Continued improvement in operating margin**



# Non-smoking Pubs (England and Wales)

- 39 converted pubs and 22 new openings
- Sales recovery in 1-2 years
- Profit recovery circa 2+ years
- New pub performance encouraging
- Continued progress over time

**Experienced in operating non-smoking pubs**



# Non-smoking Scotland

- 39 pubs
- Investment in facilities/service
- Sales +5%
  - encouraging bar sales
  - double digit food growth
  - machines flat
- Profits broadly in line with last year

**First year results ahead of expectations**

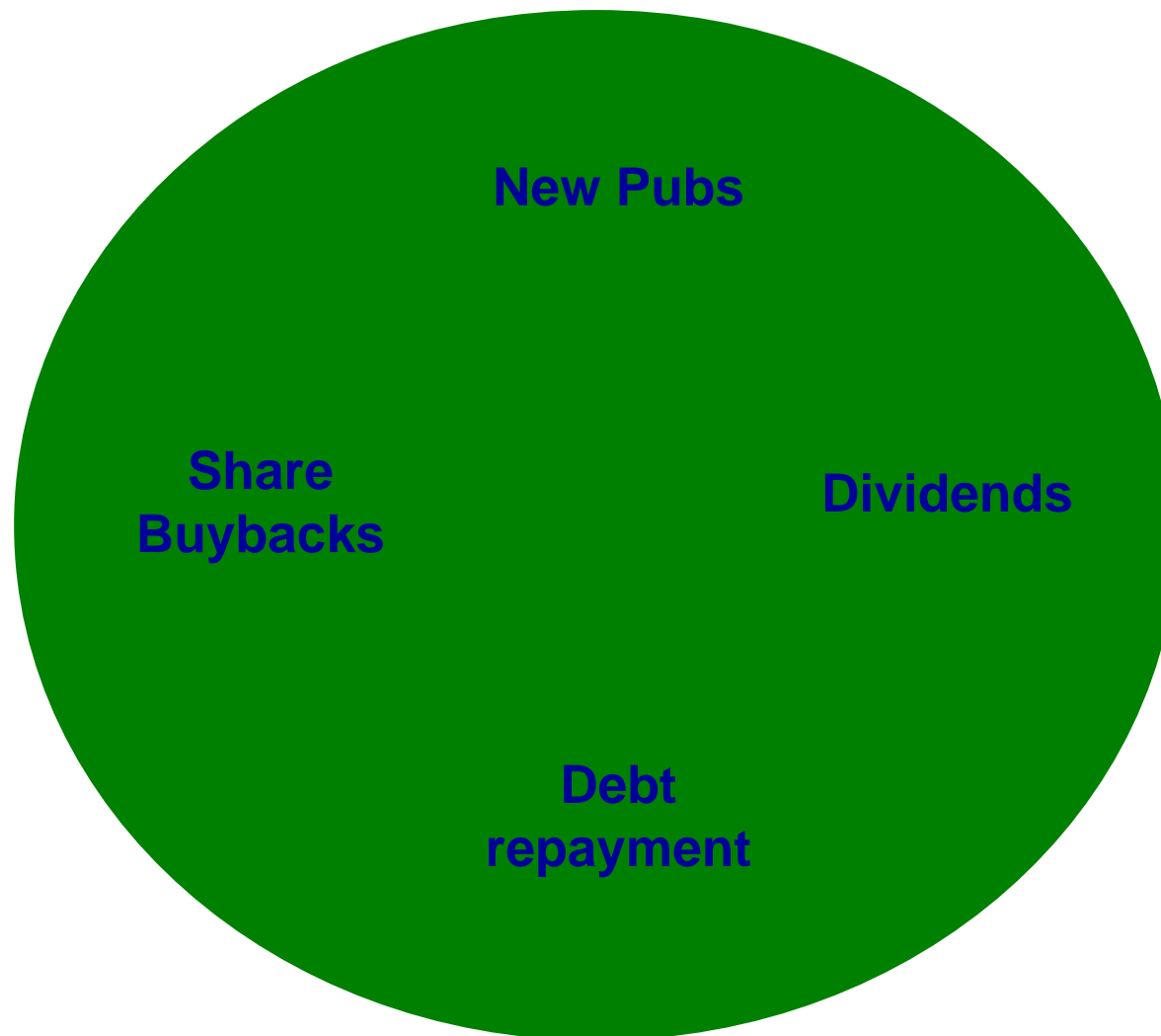


# Cash Flow



	H1 2007	H1 2006	FY 2006
Cash from operations	<b>60,273</b>	60,826	133,366
Interest and tax	<b>(23,101)</b>	(22,350)	(37,963)
Re-financing costs	-	(1,367)	(1,412)
Investment in existing pubs	<b>(10,548)</b>	(6,695)	(20,810)
Investment in own shares (SIP)	<b>(1,053)</b>	(1,765)	(3,469)
Free cash flow	<b>25,571</b>	28,649	69,712
Dividends	<b>(4,537)</b>	(4,749)	(7,367)
Disposal proceeds	<b>3,773</b>	2,448	4,645
Investments in new pubs	<b>(22,686)</b>	(9,242)	(16,766)
Cash flow before share capital changes	<b>2,121</b>	17,106	50,224
Share buybacks	<b>(37,288)</b>	(24,042)	(78,683)
Issue of new shares	<b>4,954</b>	1,082	6,974
Movement in net debt	<b>(30,213)</b>	(5,854)	(21,485)
Free cash flow per share	<b>17.0p</b>	16.8p	42.1p

# Allocation of Resources






# Expansion Plans

- 2006 9 new pubs
- 2007 20 planned
- 2008+ 30 target
- Strong cash flow
- Strong pipeline

**Maintain target return on investment**

# Dividends

- +10% per annum since IPO in 1992
- Considered options
- Substantial adjustment taking into account sector and market dividend cover
  - H1 1.6p  4.0p

**Prudent level of pay out**



# Share Buybacks

- £234m since 2003
- 34% equity retired
- Flexibility on cash allocation

**Continue to monitor future opportunities**



# Debt Position

	<b>H1 2007</b>	<b>H1 2006</b>	<b>FY 2006</b>
Net debt/ EBITDA	<b>2.8</b>	2.8	2.8
Interest cover (times)	<b>3.5</b>	3.2	3.3
Fixed charge cover (times) - statutory	<b>1.8</b>	1.7	1.8
- excluding depreciation	<b>2.4</b>	2.3	2.3

**Continued improvement in ratios**



# REITS

- Short term financial benefits
- Consistent with long term strategy?
- Real estate versus tax savings
- Monitor / explore opportunities



# ROC/CROCCE/ROE

	H1 2007	H1 2006
• P&L return on capital	11.8%	10.2%
• Crocce	12.3%	11.5%
• P&L return on equity	19.5%	14.0%
• Cash return on equity	15.6%	13.9%

**Improvement in financial returns**





# Trading Performance

- Sales growth continues
- Margin improvement
- Prepared for non-smoking

# Joseph Bramah, Barnsley



# Jack Fairman, Horley



# The Blacksmith's Forge, Dalkeith



# Unrivalled Product Range



	Rum with a free mixer
	Havana Club Añejo Blanco 37.5% ABV
	Lamb's Navy 40% ABV
	Bacardi 37.5% ABV
	Appleton White 37.5% ABV
	Havana Club Añejo Especial 40% ABV
	Wray & Nephew 63% ABV
	Havana Club 7-year-old 40% ABV
	Cognac with a free mixer
	Martell vs 40% ABV
	Hennessy Fine de Cognac 40% ABV
	Gin with a free mixer
	Gordon's 37.5% ABV
	Plymouth 41.2% ABV
	Bombay Sapphire 40% ABV
	Tanqueray 43.1% ABV
	Whisky with a free mixer
	Bell's 40% ABV
	Famous Grouse 40% ABV
	Jameson Irish Whiskey 40% ABV
	Johnnie Walker Black Label 40% ABV
	J&B 40% ABV
	Malt Whisky
	Glenfiddich 40% ABV
	Glenmorangie 40% ABV
	The Glenlivet 12-year malt 40% ABV
	Laphroaig 10-year malt 40% ABV
	Scapa 40% ABV

# Real Ale Focus

- Over 33 million pints per annum
- Links with 450 local brewers
- Highest company recognition in CAMRA Good Beer Guide 2007
- Worlds largest beer festivals



# Food Development



- Improved provenance
- Healthier options
- Continued success of 'club offers'
- 50% of sales linked to food
- 26% of total revenue



# Bonus and Share Schemes

- £9.0m bonus in H1 (90% to pubs)
- £1.1m in share purchases (£23m total pot)
- Average annual bonus to managers £9,200k\*
- Average annual bonus to pub staff £1,500k\*

\*including shares





# Continued Investment in Facilities

- Non-smoking plans
- Cold beer
- Kitchen upgrades
- Coffee machines
- £60m spend on repairs / capital in existing estate

**Ongoing quality improvements**

# Cold Beer / Wine Investment





# 2007 H2 Issues

- More stretching comparatives
- H2 sales expectations (2%-4%)
- England/Wales/N. Ireland non-smoking
- Cautious trading outlook



# Outlook

- Continue to improve all areas of the business
- Ongoing expansion plans
  - Strong pipeline of sites
- Non smoking
  - Short term change
  - Longer term impact

**Confident of future prospects**



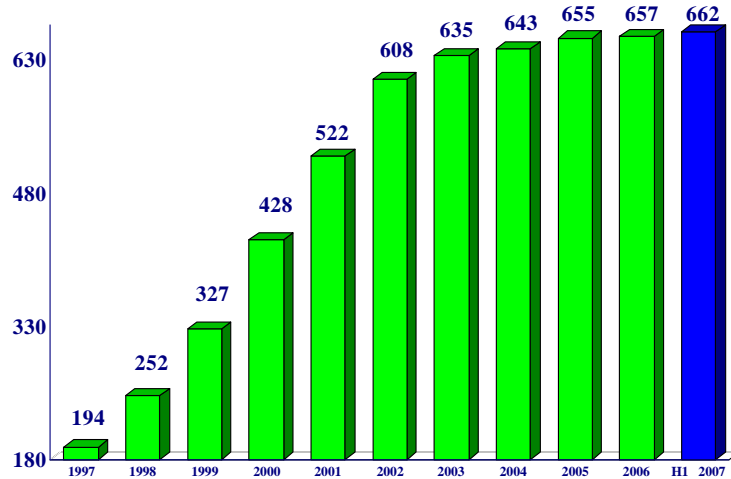
# Appendices

- A - 10 Year Financial Graphs
- B - 10 Year Trends
- C - Capital Trends
- D - ROC/CROCCE/ROE Calculations

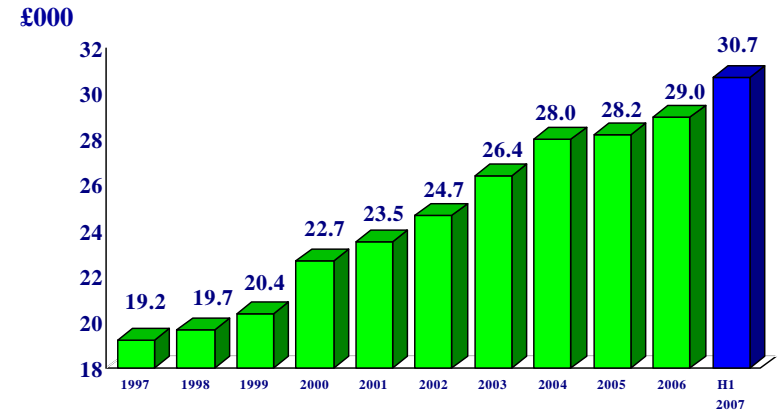
# 10 Year Summary



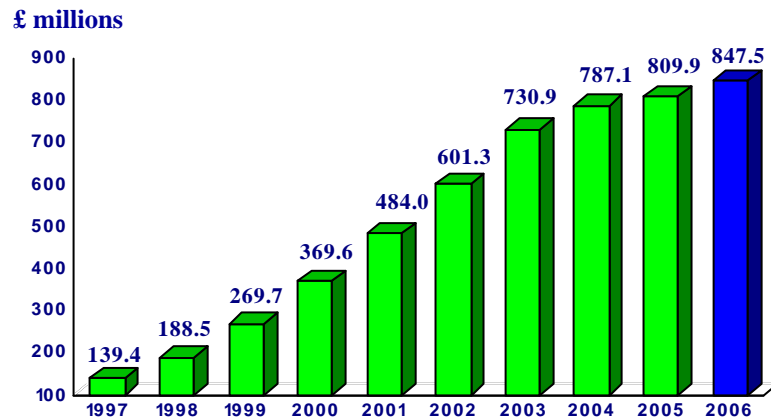
## Number of Pubs



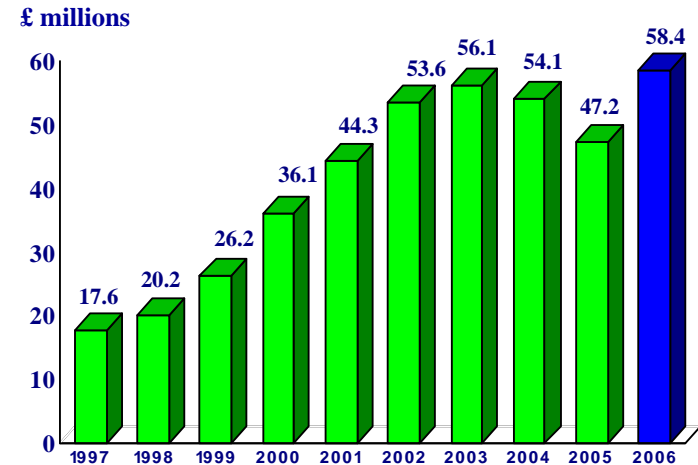
## Average Sales Per Pub Week (including VAT)



## Turnover



## Profit Before Tax





## Appendix B

# JDW - Financial Trends

	1998	1999	2000	2001	2002	2003	2004	2005	2006	H1 2007
Sales per pub (£000)	872	904	1,004	1,040	1,093	1,169	1,239	1,246	1,283	<b>1,359</b>
EBITDA per pub (£000) (1)	184.9	188.0	203.8	205.9	207.4	201.9	204.4	195.7	205.6	<b>224.8</b>
Number of pubs	252	327	428	522	608	635	643	655	657	<b>662</b>
% freeholds (%)	30	21	32	40	42	42	41	41	41	<b>41</b>
CROCCE (%) (2)	15.0	15.7	15.6	15.3	13.9	13.0	12.6	11.7	11.9	<b>12.3</b>
Cash return on equity (%) (2)	20.8	20.9	20.3	20.1	18.8	17.1	15.8	14.4	14.7	<b>15.6</b>
Free cash flow per share (pence)	13.3	20.3	24.2	29.1	33.5	38.8	36.7	37.1	42.1	<b>17.0</b>

(1) Excluding sale & leaseback

(2) See appendix D for calculation

# Capital Trends

## Appendix C



	1999	2000	2001	2002	2003	2004	2005	2006	H1 2007
Size (sq.ft.) – openings	3,037	3,217	3,713	3,808	3,721	4,317	4,176	3,637	<b>4,203</b>
Number of openings	84	101	94	87	45	28	13	9	<b>8</b>
% which are freehold	58	67	75	53	56	43	54	22	<b>63</b>
Freehold average cost (£k)	427	465	506	597	511	640	873	625	<b>747</b>
Average development cost (£k)	941	1,049	1,178	1,262	1,317	1,431	1,401	1,301	<b>1,482</b>
Average cost per sq. ft.	310	326	334	331	354	331	335	331	<b>353</b>
Increase in average cost (%)	9	4	3	-1	7	-6	1	-1	<b>6</b>
Population within 2 miles	70,000	77,000	70,000	70,000	73,000	51,000	64,000	59,000	<b>46,000</b>
Pub openings with outside drinking (%)	50	73	62	46	51	54	62	88	<b>100</b>



# ROC/CROCCE/ROE

Appendix D1



		H1 2007 £000	H1 2006 £000
Profit after tax	(e)	<b>21,743</b>	18,072
Add: interest	(f)	<b>13,398</b>	12,339
Profit pre-interest	(g)	<b>35,141</b>	30,411
Add: deferred tax		<b>1,157</b>	908
Depreciation		<b>21,920</b>	21,136
Cash return	(h)	<b>58,218</b>	52,455

• P&L return on capital [(g)/average (c)]	<b>11.8%</b>	10.2%
• CROCCE [(h)/average (d)]	<b>12.3%</b>	11.5%
• P&L return on equity [(e)/average (a)]	<b>19.5%</b>	14.0%
• Cash return on equity [(h)-(f)/average (d)-(b)]	<b>15.6%</b>	13.9%

# ROC/CROCCE/ROE

## Appendix D2



	H1 2007 £000	FY 2006 £000
Shareholder funds per balance sheet	<b>185,840</b>	201,575
Add: cum losses on disposal	<b>13,884</b>	13,884
: hedging provision	<b>15,603</b>	15,156
	<b>(a) 215,327</b>	230,615
Add: net debt	<b>(b) 385,844</b>	355,631
Capital employed	<b>(c) 601,171</b>	586,246
Add: deferred tax provision	<b>85,970</b>	82,958
Less: deferred tax asset	<b>(3,789)</b>	(3,030)
Cumulative depreciation	<b>300,282</b>	282,497
Less: revaluation reserve	<b>(22,554)</b>	(22,554)
Cash capital employed	<b>(d) 961,080</b>	926,117