



PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL REPORT – DECEMBER 2003 QUARTER

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PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL REPORT – DECEMBER 2003 QUARTER

Basis of Preparation

The financial reporting period for Punch Tavern Holdings Limited and its subsidiaries (“The Securitised Group”) is from 3 November 2003 (the Closing Date), the date of formation of the New Securitisation Group, to 13 December 2003, the end of the Group’s first quarter of 2003/04.

The balance sheet on page 6 has been prepared using the acquisition method of accounting.

New Debt Structure

On 3 November 2003 the Punch Taverns plc Group concluded a refinancing leading to a simplification of the Group’s securitisation structure to one net. The key elements of this refinancing are as follows:

- £965m of new loan notes were issued by Punch Taverns Finance plc.
- The remaining £450m fixed rate secured loan notes issued by Punch Funding II Limited have been replaced by identical loans in Punch Taverns Finance plc.
- £570m of the proceeds of new loan notes were used to repay existing secured loan notes, £303m of which were issued by Punch Taverns Finance plc and £267m issued by Punch Funding II Limited. £297m of these loans have been repaid as at 13 December 2003 with the remaining £273m held in an Escrow account with £168m settled on 29 December 2003 and £105m on 15 January 2004.
- £109m was paid to repay other loan facilities within the Punch Taverns plc group.
- £265m was made available to other parts of the Punch Tavern plc Group for acquisitions.

The ongoing gross debt as at 13 December 2003 can be summarised as follows:

Loan Notes	Rating ³	% Rate ¹	Repayable	<u>£000</u>
A1 (Fixed)	A/A2/A	7.274	Apr 2022	270,000
A2 (Fixed) ²	AAA/Aaa/AAA	7.320	Jul 2020	300,000
A3 (FRN) ²	AAA/Aaa/AAA	L + 0.62	Jan 2009	150,000
B1 (Fixed)	BBB+/Baa1/BBB+	7.567	Apr 2026	140,000
B2 (Fixed)	BBB+/Baa1/BBB+	8.374	Jul 2029	150,000
C (Fixed)	BBB/Baa3/BBB	6.468	Apr 3033	215,000
M1 (Fixed)	A/A3/A	5.883	Oct 2026	200,000
M2 (FRN)	A/A3/A	L + 1.15	Oct 2026	400,000
				1,825,000

¹ L represents Libor which is fully fixed through swap arrangements over the life of the tranche at 6.275%.

² Tranches A2 and A3 include an Ambac wrap.

³ Ratings are as provided by Standard & Poors, Moodys & Fitch respectively.



PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

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Profit Commentary

Trading results for the six-week period are as follows:

- Turnover of £52.7m.
- Gross Profits of £33.6m (resulting in a gross profit margin of 64%).
- EBITDA of £28.5m (54% of turnover).
- Rent contribution to total gross profits of 42%.

Senior Management Changes

Cornel Riklin resigned as a Non-Executive Director of Punch Taverns plc on 15 December 2003.

Adrian Fawcett was appointed to the Punch Taverns plc Board of Directors as Chief Operating Officer at Punch Taverns plc AGM on 15 January 2004.

Debt Service Cover Ratio (DSCR)

This is calculated as follows (see profit and loss account on page 5):

	Quarter 1 6 weeks to 13 December 2003 £000	YTD 6 weeks to 13 December 2003 £000
EBITDA	28,464	28,464
Interest Payable	14,814	14,814
Interest Receivable	(357)	(357)
Capital Repayments ¹	-	-
	14,457	14,457
Debt Service Cover Ratio²	1.97	1.97

¹ Calculated on a forward accruals basis.
(Capital repayments commenced on 15 January 2004)

² Based on the six week period ended 13 December 2003



PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

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Interest and Capital Payments

There have been no interest or capital payments in the period. The first interest and capital payment falls due on 15 January 2004.

Estate Portfolio

	Quarter 1 6 weeks to 13 December 2003 <u>No</u>	YTD 6 weeks to 13 December 2003 <u>No</u>
Number of Pubs		
Opening	4,304	4,304
Acquisitions	23	23
Disposals	(77)	(77)
	<u>4,250</u>	<u>4,250</u>

The twenty-three acquisitions during the period have been acquired from fellow Punch Taverns plc group undertakings. The consideration relating to these pubs was £11.33m and was settled after the period end on 9 January 2004.

During the period, 77 pubs were disposed of as a consequence of the Pubmaster acquisition.

Investment in Pub Estate

	Quarter 1 6 weeks to 13 December 2003 <u>£000</u>	YTD 6 weeks to 13 December 2003 <u>£000</u>
Spend on Existing Pubs	<u>5,693</u>	<u>5,693</u>
Disposal Proceeds	<u>11,752</u>	<u>11,752</u>



PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

PROFIT AND LOSS ACCOUNT

	Quarter 1 6 weeks to 13 December 2003 £000	YTD 6 weeks to 13 December 2003 £000
Turnover		
Beer (net of discounts)	32,215	32,215
Rent	13,968	13,968
Machines	1,766	1,766
Other	4,707	4,707
Total Turnover	52,656	52,656
Gross Profit		
Beer	16,375	16,375
Rent	13,968	13,968
Machines	1,712	1,712
Other	1,524	1,524
Total Gross Profit	33,579	33,579
Operating Costs	(5,115)	(5,115)
EBITDA	28,464	28,464
Exceptional Property Trading (Losses) ¹	(9,333)	(9,333)
Depreciation and Amortisation	(788)	(788)
Exceptional Financing Costs ²	(6,597)	(6,597)
Cash Interest Receivable	357	357
Cash Interest Payable	(14,814)	(14,814)
Non-Cash Interest Charge	(366)	(366)
Subordinated Loan Interest	(9,719)	(9,719)
(Loss) Before Taxation	(12,796)	(12,796)

¹ Relates to pubs disposed of as a consequence of the Pubmaster transaction.

² Principally relates to the write off of non-cash items as a result of the restructuring of the Group's debt.



PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

	As at 13 December 2003 £000
Fixed Assets	
Goodwill	50
Tangible Fixed Assets	2,272,230
	<u>2,272,280</u>
Debtors	
Trade	18,979
Prepayments	15,927
Other	11,111
	<u>46,017</u>
Cash at Bank and In Hand ¹	358,529
CURRENT ASSETS	<u>404,546</u>
Creditors: amounts falling due within one year	
Loans ¹	(289,653)
Trade Creditors	(16,689)
Other Creditors	(21,062)
Corporation Tax	(99,882)
Social Security and Other Taxes	(7,515)
Accruals and Deferred Income	(59,092)
	<u>(493,893)</u>
NET CURRENT ASSETS	<u>(89,347)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,182,933</u>
Creditors: amounts falling due after more than one year	
Loans	(1,784,905)
Accruals and Deferred Income	(4,891)
	<u>(1,789,796)</u>
Provisions for Liability and Charges	(50,648)
Amounts due from Group Undertakings	3,408,982
	<u>3,751,471</u>
NET ASSETS	<u><u>3,751,471</u></u>
Capital and Reserves	
Share Capital	64
Share Premium	2,963,314
Capital Reserve	35,223
Revaluation Reserve	179,518
Subordinated Loan Funding	568,387
Profit and Loss Reserves ²	17,761
(Loss) for the period	(12,796)
	<u>3,751,471</u>
TOTAL SHAREHOLDERS' FUNDS	<u><u>3,751,471</u></u>

¹ Cash includes £276,691,000 held in an ESCROW account to be used to redeem FRNs relating to the old financing structure of £273,338,000, included in loans falling due within one year, and to settle outstanding interest on the FRNs of £3,353,000. These balances have been settled since the end of the period.

² As at 3 November 2003 (The Closing Date)



PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED CASH FLOW

There is no cash flow for the current period as there is no balance sheet available as at 3 November for the New Securitised Group. A cash flow will be included in the quarter 2 Finance Report for the 12 week period to 6 March 2004. The cash flow will be prepared using the following pro forma:

	<u>Quarter 2</u> 12 Weeks to 6 March 2003 <u>£000</u>
Net Cash Inflow From Operating Activities	X
Returns on Investment and Servicing of Finance	
Interest Paid	X
Interest Receivable	X
Deferred Issue Costs Paid	X
	<hr/> X
Taxation Paid	<hr/> X
Capital Expenditure and Financial Investment	
Payments to acquire new pubs	X
Investment Spend on Existing Pubs	X
Receipt from Sale of Pubs	X
	<hr/> X
Net Cash Inflow Before Financing	<hr/> X
Financing	
Loans raised	X
Loan repaid	X
Amounts paid to other group undertakings	X
	<hr/> X
NET INCREASE IN CASH	<hr/> <hr/> X



PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

FORM OF FINANCIAL RATIO COMPLIANCE CERTIFICATE

To: Security Trustee

1. We, Robert McDonald and Neil Preston each being a director of Punch Pub Company (PTL) Limited **HEREBY CERTIFY** without incurring any personal liability for the same, that for the Financial Quarter just ended:

(a) the Debt Service Cover Ratio for the period covering 3 November 2003 (the Closing Date) up to and including 13 December 2003 was 1.97:1.

(b) for the purposes of calculating the above, the following values were relevant for the Financial Quarter just ended:

Debt Service (£000) £14,457

Interest Charges (£000) £14,457

EBITDA (£000) £28,464

(c) in addition, the following values were relevant for the Financial Period just ended:

Outlet EBITDA	£32.5m														
The average and final balance of each of the Securitisation Group Entity Accounts:	<table border="1"> <thead> <tr> <th>Average Balance (£m)</th> <th>Final Balance (£m)</th> </tr> </thead> <tbody> <tr> <td>Acquisition Reserve A/c</td> <td>10.0</td> </tr> <tr> <td>Disposal Proceeds A/c</td> <td>13.3</td> </tr> <tr> <td>Controlled Cash A/c</td> <td>15.1</td> </tr> <tr> <td>Stamp Duty Reserve A/c</td> <td>-</td> </tr> <tr> <td>Collections A/c</td> <td>41.8</td> </tr> <tr> <td>Payments A/c</td> <td>(7.6)</td> </tr> </tbody> </table>	Average Balance (£m)	Final Balance (£m)	Acquisition Reserve A/c	10.0	Disposal Proceeds A/c	13.3	Controlled Cash A/c	15.1	Stamp Duty Reserve A/c	-	Collections A/c	41.8	Payments A/c	(7.6)
Average Balance (£m)	Final Balance (£m)														
Acquisition Reserve A/c	10.0														
Disposal Proceeds A/c	13.3														
Controlled Cash A/c	15.1														
Stamp Duty Reserve A/c	-														
Collections A/c	41.8														
Payments A/c	(7.6)														
CapEx Amounts expended	£5.7m for the period (Minimum Maintenance CapEx Amount Required of £4.3m per annum)														
Number of Punch Taverns Mortgaged Properties disposed of or acquired	Disposals – 77 Acquisitions – 23														
Number of Pubs in Portfolio	4,250														
Weighted Average Return on all CapEx Amounts spent on all trading Pubs during the period	37%														



PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

Free Cash Flow	There is no requirement to test this covenant until the end of the quarter ended 6 March 2004.
Excess Cash	There is no requirement to test this covenant until the end of the quarter ended 6 March 2004.
Restricted Payment Excess Cash	There is no requirement to test this covenant until the end of the quarter ended 6 March 2004.

(d) As of the date of this Certificate, no Borrower Event of Default or Potential Borrower Event of Default (which in either case, has not previously been notified to the Security Trustee) has occurred;

2. In accordance with Clause 16.1(o) of the Issuer/Borrower Facility Agreements, we confirm that there have been:

- (a) no material amendments made to the Material Contracts since the Closing Date;
- (b) no Material Contracts entered into since the Closing Date;
- (c) no new franchise agreements and licences which we consider, acting in good faith, to be material to the interests of the Issuer and the Security Trustee.

.....
Finance Director

.....
Director