

FINANCIAL REPORT – DECEMBER 2003 QUARTER

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PUBMASTER HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

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Basis of Preparation

The financial reporting period for Pubmaster Holdings Limited and its subsidiaries (“the Securitised Group”) is determined by reference to the original closing date of 30 June 1999.

The consolidated balance sheet of the Securitised Group on page 6 has been prepared adopting Merger Accounting Rules.

Sale to Punch Taverns plc

On 1 December the entire share capital of Pubmistress Limited was sold to Punch Taverns plc. The deal combines the second and third largest UK leased and tenanted pub groups creating a business with c 7,450 high quality pubs spread across the UK. The combination with Punch Taverns will allow for further development and expansion of the Pubmaster estate and will enhance the long-term future of the business.

Profit Commentary

The results comparison year on year reflect the impact of the Inn Partnership acquisition, which was brought into the Securitised Group with effect from 28 November 2002, when the First New Notes were issued.

EBITDA of £30.9 million for the quarter under review represents 49.0% of turnover. This compares with 46.5% in the same period last year. For the six months to December EBITDA of £61.9 million represents 49.1% compared with 45.3% for the same period last year.

Volumes delivered were 148,100 barrels (2002: 108,900 barrels) in the quarter under review. Volumes delivered in the six months year to date were 296,900 barrels (2002: 187,100 barrels, the Inn Partnership estate having been brought into the Securitised Group on 28 November 2002).

Debt Service Cover Ratio (DSCR)

This is calculated as follows (see profit and loss account on page 4) :

	13 Weeks ending	
	28 December 2003	29 December 2002
	£000	£000
EBITDA	30,921	20,391
Interest payable	15,530	10,100
Interest receivable	(343)	(308)
Capital Repayment (see note)	-	-
NET INTEREST	15,187	9,792
DSCR - Quarter	2.04 times	2.08 times
- Rolling 2 quarter	1.91 times	2.09 times
- Rolling 4 quarter	1.75 times	2.04 times

The above performance compares favourably with the covenant of 1.5 times - allows dividends to be paid (see upstreaming - page 3).

Note: Following prepayments of Class A1 and A4 notes in September 2003 no capital repayments have been made in this quarter.

PUBMASTER HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

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Net Worth

This is calculated as follows (see balance sheet on page 6):

	<u>At 28 Dec 2003</u> £m	<u>At 29 Dec 2002</u> £m
Share Capital	84.0	84.0
Profit & Loss Account – Post Merger	25.3	24.7
Add back:		
Amounts written off related to the Scotam transaction	12.0	12.0
Amortisation of issue costs	4.5	5.2
Less tax relief on amortisation of issue costs	(1.4)	(1.6)
Subordinated Borrower Loan (including unpaid interest accrued)	155.7	148.3
TOTAL NET WORTH	280.1	272.6

This compares favourably with the covenant of £115 million at December 2003.

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Prepayment of Notes

On 29 September 2003 a prepayment of £13.2 million was made, being £3.9 million of Class A1 notes and £9.3 million of Class A4 notes.

Upstreaming

The following payments to Pubmaster Group Limited were made after interest payments in accordance with Permitted Restricted Payment terms and the terms of the Subordinated Borrower Loan Agreement:

	<u>13 weeks ending</u>		<u>26 weeks ending</u>	
	<u>28 Dec 2003</u>	<u>29 Dec 2002</u>	<u>28 Dec 2003</u>	<u>29 Dec 2002</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Permitted Restricted Payment	4,700	10,800	9,400	13,800
Amount equal to tax credit available on the interest accrued on the Subordinated Borrower Loans	1,880	980	3,756	1,925
	6,580	11,780	13,156	15,725

The £6.6m payment for quarter ended 28 December 2003 was made on 30 December 2003.

Net cashflow for the four quarters to 28 December 2003 amounts to £41.0 million and aggregate Restricted Payments made during that period amount to £14.4 million.

Estate Development

The movement in the number of pubs in the estate is as follows:

Number of Pubs	Core	Non-Core	Total
At 28 September 2003	2,952	95	3,047
Permitted Acquisitions	-	-	-
Permitted Disposals	(112)	(12)	(124)
At 28 December 2003	2,840	83	2,923

The net realisable proceeds from the Permitted Disposals have been deposited into the Churn Account (see page 5).

Capital expenditure in the quarter amounted to £2.2 million (2002 : £2.2 million).

PUBMASTER HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

PROFIT AND LOSS ACCOUNT

	13 weeks ending		26 weeks ending	
	28 Dec 2003	29 Dec 2002	28 Dec 2003	29 Dec 2002
	£000	£000	£000	£000
Turnover				
Beer Income	45,648	32,519	91,221	56,239
Rent	13,679	8,657	27,469	14,684
Machine Income	3,053	2,234	5,900	3,877
Other Income	780	432	1,472	814
	63,160	43,842	126,062	75,614
Gross Profit	37,549	25,532	74,877	44,069
Operating Costs	(6,628)	(5,141)	(13,005)	(9,786)
EBITDA	30,921	20,391	61,872	34,283
Depreciation	(1,269)	(1,034)	(2,649)	(1,837)
Loss on sale of assets	(783)	(1,716)	(542)	(2,888)
Refinancing and restructuring costs	-	-	(1,990)	(909)
Exceptional loss on sale of assets	(6,980)	-	(6,980)	-
Interest Payable	(22,035)	(14,130)	(43,941)	(24,166)
Interest Receivable	343	308	759	579
Amortisation of Issue Costs	301	(117)	898	(235)
Profit before Tax	498	3,702	7,427	4,827

Note: Beer Income has been restated net of discounts given to tenants. This charge was previously included in cost of sales. The restatement is necessary to bring the presentation into line with the approach adopted by Punch Taverns.

PUBMASTER HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

CASH BALANCES – as at 28 December 2003

CURRENT ACCOUNT

	<u>13 weeks ending</u>		<u>26 weeks ending</u>	
	<u>28 Dec 2003</u>	<u>29 Dec 2002</u>	<u>28 Dec 2003</u>	<u>29 Dec 2002</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Opening Balance	63.5	27.0	43.6	16.6
Cash acquired on acquisition of:				
- Inn Partnership estate	-	10.5	-	10.5
- Pub.com estate	-	0.6	-	0.6
Trading Receipts				
Customers	64.4	47.0	133.1	80.7
Machine Suppliers	3.6	2.5	7.0	4.5
Rebates	19.5	15.0	38.9	24.3
Other Income	1.0	1.5	2.3	3.6
	88.5	66.0	181.3	113.1
Trading Payments				
Beer Suppliers	(51.6)	(34.2)	(103.1)	(50.8)
Other Creditors	(3.3)	(2.1)	(6.8)	(4.4)
Overheads	(5.4)	(3.7)	(9.9)	(7.8)
VAT	(5.5)	(2.9)	(12.1)	(5.2)
Other Payments	(0.2)	(0.6)	(0.6)	(1.0)
	(66.0)	(43.5)	(132.5)	(69.2)
Capital Expenditure				
Funding from Churn Account	0.5	1.7	3.4	3.4
Payment to Creditors (inc. VAT)	(3.2)	(2.1)	(6.7)	(3.9)
	(2.7)	(0.4)	(3.3)	(0.5)
Cost of Financing				
A4 FRN Debt Repayment	(2.2)	-	(2.2)	-
A1 FRN Debt Prepayment	(3.9)	-	(3.9)	-
A4 FRN Debt Prepayment	(9.3)	-	(9.3)	-
Note Interest Paid	(15.8)	(7.0)	(17.5)	(13.7)
Permitted Restricted Payment	(4.7)	(3.0)	(7.2)	(6.5)
Subordinated Loan Interest Paid	(1.8)	(0.9)	(3.6)	(1.8)
Securitisation Fees Paid	(0.4)	(5.7)	(0.4)	(5.7)
Bank Interest Received	0.2	0.3	0.4	0.5
	(37.9)	(16.3)	(43.7)	(27.2)
Closing Balance	45.4	43.9	45.4	43.9

CHURN ACCOUNTS

The opening balance for the quarter on churn account was £0.4m and during the period proceeds from the sale of pubs of £13.9m was deposited. £0.5m was drawn down to fund capital expenditure.

LIQUIDITY FACILITY - £135 million

No utilisation of this account was made in the period.

PUBMASTER HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

	<u>As at 28 Dec 2003</u>		<u>As at 29 Dec 2002</u>	
	£m	£m	£m	£m
Fixed Assets		<u>976.0</u>		<u>1,007.0</u>
Current Assets				
Assets held for resale		9.1		10.1
Deferred tax asset		16.9		25.3
Debtors		41.1		30.8
Deferred consideration		8.6		-
Cash at Bank		<u>64.2</u>		<u>51.8</u>
		<u>139.9</u>		<u>118.0</u>
Current Liabilities				
Creditors		<u>(80.5)</u>		<u>(78.9)</u>
Net Current Assets		<u>59.4</u>		<u>39.1</u>
Loan Notes Payable				
Principal		(894.2)		(914.0)
Less Unamortised Costs		<u>3.5</u>		<u>4.6</u>
		<u>(890.7)</u>		<u>(909.4)</u>
Total Assets less Liabilities		<u>144.7</u>		<u>136.7</u>
Share Capital		<u>84.0</u>		<u>84.0</u>
Reserves				
Profit and Loss Account				
- Pre-merger		(36.3)		(36.3)
- Post-merger				
Brought Forward	33.0		24.5	
Period	<u>(7.7)</u>		<u>0.2</u>	
Carried Forward		25.3		24.7
Merger Reserve		<u>(84.0)</u>		<u>(84.0)</u>
		<u>(95.0)</u>		<u>95.6</u>
Subordinated Borrower Loan				
Principal		149.2		144.3
Accrued Interest Unpaid		<u>6.5</u>		<u>4.0</u>
		<u>155.7</u>		<u>148.3</u>
		<u>144.7</u>		<u>136.7</u>



PUBMASTER HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL RATIO COMPLIANCE CERTIFICATE

- 1 We hereby certify without incurring any personal liability for the same that for the Financial Quarter ended 28 December 2003:
 - a) the Debt service cover ratio of 2.04 times and
 - b) the Net worth of £280.1 million

have been calculated on the Agreed Basis, as supported by the detailed calculations set out in this report and in accordance with Clause 15 of the Amended and Restated Issuer/Borrower Facility Agreement dated 28 November 2002.

 - c) No Pubmaster Event of Default or Potential Event of Default (which in either case, has not been previously notified to the Security Trustee) has occurred.
- 2 We hereby confirm that so far as we are aware, without incurring any personal liability for the same as at the date of this report.
 - a) No material amendments have been made to Material Contracts, no Material Contracts have been terminated, no new Material Contracts have been entered into and no Material Contracts have been assigned, and
 - b) no new franchise agreements or licenses have been entered into which we consider, acting in good faith, to be material to the interests of the Issuer and the Security Trustee.

since the date of the last Financial Ratio Compliance Certificate.
- 3 We hereby certify without incurring any personal liability for the same that the aggregate effect of all Relevant Changes during the period from the Closing Date to the 28 December 2003 has not reduced the TA Receivables payable in that financial period by an amount greater than 10 per cent of the Total Contracted Rent amount which would otherwise have been payable but for those Relevant Changes.
- 4 The terms used in the Financial Ratio Compliance Certificate that are not defined herein shall have the meaning given to them in the Master Definitions and Construction Schedule dated 30 June 1999 (amended on 28 November 2002).

R McDonald
Finance Director

N Preston
Director