

Punch Taverns plc Interim Report and Accounts 6 March 2004



Punch Taverns plc is a leading leased and tenanted pub company, with 7,371 pubs across the UK

Financial Highlights

Turnover

Up 39%

2002 £205m

2003 £218m

2004 £303m

Profit before tax and exceptionals

Up 30%

2002 £47.6m

2003 £55.6m

2004 £72.5m

Adjusted earnings per share

Up 19%

(up 30% with a normalised tax charge)

2002 13.8p

2003 19.4p

2004 23.0p

2002 comparatives are based on continuing operations

Pubmaster included for 14 weeks from 1 December – integration going well

Continued organic growth in sales and profit – like for like turnover up 2.4%

Interim dividend increased by 38% to 2.9p (2003: 2.1p)

Chief Executive's Report

Giles Thorley
Chief Executive



Introduction

This has been another successful period for Punch Taverns. We have continued to enhance the quality of our operations both through investment and by working in partnership with our pub retailers. Once again this is reflected in strong company results and underlying organic growth in both sales and profit. At the same time, we have strengthened our corporate structure, and significantly transformed the scale of our Company through the acquisition of Pubmaster.

Our estate now comprises 7,371 predominantly freehold pubs which are let to retailers who are in tune with the needs of their local community. Our key task is to assist our retailers to build better businesses which, in turn, further strengthens our business model. We place great emphasis on retailer support and are pleased that this has recently been recognised by winning the Pub Company of the Year title at the Publican Awards, for leased and tenanted companies with over 100 outlets.

We have again generated strong growth. Turnover of £303m was up 39% on the previous first half, and profit before tax and exceptional items increased 30% to £72.5m. Adjusted earnings per share ("EPS") of 23.0p were up 19%, despite a rising tax charge; on a fully taxed basis, EPS growth was 30%. These results reflect our continued confidence in the business and we are pleased to announce a rise in the interim dividend to 2.9p, a 38% increase on last year.

The integration of the Pubmaster estate is proceeding well and is on target to produce forecast synergies of £10m pa. We continue to see excellent opportunities for growth through modernising the estate using investment and longer term leases, and improving sales mix. In addition the original Punch estate continues to perform well and we remain an active and capable player in the further consolidation of our market.

Organic growth

Our strategy has consistently been to work with our retailers to maximise the overall profitability of each pub and then to optimise our share of the profit, mainly through agreeing a fair rent with them. This continues to work well with the underlying Punch estate contributing like for like turnover growth of 2.4%, accompanied by improving margins to yield like for like outlet profit growth of 3.9%. All income streams continue to grow both turnover and profit.

The key to the success of our business remains the recruitment, training and support of entrepreneurial retailers, coupled with investment and business planning to enhance the consumer experience. During the period we have recruited 445 new retailers to the Group. Relationships with retailers have been enhanced as our customer focused re-organisation, implemented last summer, begins to reap the expected benefits. We are listening to more retailers through our retailer forums, and taking action accordingly. Three national and 18 regional retailer forums were held in the first half of this year.

Chief Executive's Report continued

We have increased the pace of pub developments, investing £19m in enhancements to the Punch estate, compared with £12m at the same stage last year.

We now have 1,504 pubs on the Punch Growth Lease, an increase of 156 since last year end, and are now introducing the evolutionary Punch Growth Agreement; this is a flexible agreement, incorporating long and short term options, and over time will become our standard agreement.

Acquisitions

The acquisition of Pubmistress Ltd, incorporating the Pubmaster business, was completed on 1 December 2003, and has been included in our current trading results for 14 weeks, earning operating profit before exceptional items of £29.6m. The acquisition cost of £1,193m was funded from our own cash resources and by retaining £894m of securitised debt.

On acquisition, the Pubmaster estate comprised 3,115 local community pubs with a complementary geographical fit giving the combined Punch estate true nationwide coverage. In order to address areas of local overlap and eliminate any possible competition issues we sold 256 pubs for a total of £59m, the unique circumstances of the sale generating an exceptional loss of £11.5m. The Pubmaster acquisition has now received full clearance from the Office of Fair Trading.

Integration of the Pubmaster business is now well advanced. A decision to close the Hartlepool and other regional Pubmaster offices has been announced and full integration of the two businesses will complete in the summer. We have been very pleased with the performance of the Pubmaster business since acquisition and continue to see good opportunities for further growth from investment, longer leases, updated supply terms and improved sales mix. We are on target to deliver forecast synergy benefits of approximately £10m per annum following integration.

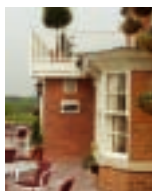
We remain alert to the opportunity for other acquisitions and, indeed, have acquired a further 44 pubs in the first half year. We have banking facilities in place and continue to be interested in any appropriate consolidation opportunities in the sector.

Finance and accounting

In November we completed the restructuring of the Group's securitised debt, combining two groupings and increasing the overall fund to £1,825m. The restructuring brought significant benefits, raising additional cash of £265m, reducing the average cost of debt, and streamlining our covenants. This paved the way for our acquisition of the Pubmaster business in December. The restructuring also won the European ABS Deal of the Year award from the International Securitisation Report.

The Pubmaster securitisation was last reorganised in 2002 and is therefore a relatively modern structure. Both securitisations comprise bonds which are all of an investment grade quality, fully amortising over periods up to 30 years, with fully fixed interest rates.

The White Swan recently re-opened following an investment and is now trading as an up-market local.



Exceptional costs in the period totalled £16.8m, arising principally from the Pubmaster acquisition and associated disposals, integration, and debt refinancing. Some further exceptional costs will be incurred in the second half.

Provisional fair value adjustments have been made including revaluation of Pubmaster assets and loans, resulting in goodwill of £82.7m, which will be amortised over 20 years.

The taxation charge for the period equated to 23.5% of post-exceptional profit before tax, reflecting the estimated tax charge rate for the year, and benefiting from utilisation of brought forward losses.

Dividend policy

The Board believes that at this time the long term interests of shareholders are best served by using available cash to reinvest in the business or, if appropriate, in acquisitions. However it is also recognised that dividends are attractive to shareholders.

Accordingly, the Board has continued with the dividend policy initiated last year and, reflecting the increased scale of the business, has announced an interim dividend of 2.9p, a 38% increase on the 2.1p interim dividend paid last year. It is anticipated that the interim payment will represent about one third of the full dividend payment for the year.

The interim dividend payment will be made on 5 July 2004 to shareholders on the register on 11 June 2004.

Personnel

A pleasing feature of the Pubmaster acquisition has been the opportunity to bring into the Group many people with a broad range of relevant skills and experience. Whilst some redundancies have been inevitable, we have retained considerable talent in the enlarged organisation and created many career enhancing opportunities. We have also been fortunate to have acquired many excellent retailers with lease or tenancy agreements in Pubmaster pubs. We welcome these newcomers to our Group.

We are also pleased to announce the appointment of Jonathan Paveley, as Commercial Director. Jonathan was until recently Strategy Director with Greene King, and brings a wealth of experience and commercial acumen to further strengthen our senior management team.

Outlook

The business outlook is favourable and the trading environment continues to offer excellent opportunities for the good operator. Current performance continues to be positive and prospects for the second half are encouraging.



Giles Thorley
Chief Executive

Group Profit and Loss Account

for the 28 weeks ended 6 March 2004

	28 weeks ended 6 March 2004			28 weeks ended	53 weeks ended
	Total	Exceptional items (note 4)	Before exceptional items	1 March 2003	23 August 2003
	£m	£m	£m	£m	£m
Turnover					
Ongoing	231.7	–	231.7	217.6	429.0
Acquisitions ¹	71.5	–	71.5	–	–
Group turnover	303.2	–	303.2	217.6	429.0
Cost of sales	(114.1)	–	(114.1)	(78.2)	(153.3)
Gross profit	189.1	–	189.1	139.4	275.7
Administrative expenses	(38.0)	(2.4)	(35.6)	(24.2)	(48.3)
Operating profit (note 3)					
Ongoing	122.8	(1.1)	123.9	115.2	227.4
Acquisitions ¹	28.3	(1.3)	29.6	–	–
Group operating profit	151.1	(2.4)	153.5	115.2	227.4
(Loss)/profit on sale of tangible fixed assets	(10.9)	(11.5)	0.6	1.9	2.5
Profit before interest and taxation	140.2	(13.9)	154.1	117.1	229.9
Interest receivable	6.2	1.8	4.4	4.2	7.4
Interest payable	(90.7)	(4.7)	(86.0)	(65.7)	(124.0)
Profit on ordinary activities before taxation	55.7	(16.8)	72.5	55.6	113.3
Tax on profit on ordinary activities (note 5)	(13.1)	2.4	(15.5)	(7.6)	(15.7)
Profit for the period	42.6	(14.4)	57.0	48.0	97.6
Ordinary dividend	(7.2)	–	(7.2)	(5.2)	(16.1)
Retained profit for the period	35.4	(14.4)	49.8	42.8	81.5
Earnings per share (note 6)					
Basic (pence)	17.2			19.4	39.3
Diluted (pence)	16.8			19.3	39.2
Adjusted (pence)			23.0	19.4	39.3

¹ Relates to the acquisition of Pubmistress Limited, ultimate parent of the Pubmaster trading companies.

There were no exceptional items in comparative periods.

Group Statement of Total Recognised Gains and Losses

for the 28 weeks ended 6 March 2004

	28 weeks ended 6 March 2004 £m	28 weeks ended 1 March 2003 £m	53 weeks ended 23 August 2003 £m
Profit for the financial period	42.6	48.0	97.6
Unrealised surplus on revaluation of tangible fixed assets	–	–	54.9
Total recognised gains for the period	42.6	48.0	152.5

Reconciliation of Movements in Shareholders' Funds

	28 weeks ended 6 March 2004 £m	28 weeks ended 1 March 2003 £m	53 weeks ended 23 August 2003 £m
At beginning of period	631.3	494.4	494.4
Exercise of share options	3.2	–	0.5
Total recognised gains	42.6	48.0	152.5
Ordinary dividends	(7.2)	(5.2)	(16.1)
At end of period	669.9	537.2	631.3

Group Balance Sheet

at 6 March 2004

	6 March 2004 £m	1 March 2003 £m	23 August 2003 £m
Fixed assets			
Goodwill	133.2	53.6	53.3
Negative goodwill	(28.9)	(30.6)	(29.8)
	104.3	23.0	23.5
Tangible fixed assets	3,459.1	2,122.7	2,221.4
	3,563.4	2,145.7	2,244.9
Current assets			
Debtors due within one year	82.0	50.6	49.7
Debtors due after more than one year	11.7	13.8	12.8
Cash at bank and in hand ¹	211.6	171.1	178.7
	305.3	235.5	241.2
Creditors: amounts falling due within one year	(328.5)	(296.2)	(324.7)
Net current liabilities	(23.2)	(60.7)	(83.5)
Total assets less current liabilities	3,540.2	2,085.0	2,161.4
Creditors: amounts falling due after more than one year	(2,786.6)	(1,477.0)	(1,455.2)
Provisions for liabilities and charges	(83.7)	(70.8)	(74.9)
Net assets	669.9	537.2	631.3
Capital and reserves			
Called up share capital	0.1	0.1	0.1
Share premium	366.7	363.0	363.5
Revaluation reserve	101.6	48.3	102.9
Profit and loss account	201.5	125.8	164.8
Total shareholders' funds	669.9	537.2	631.3

¹ Cash at bank and in hand includes £73.7m (March 2003: £75.4m; August 2003: £74.2m) of deposits used as security for guaranteed loan notes.

Group Cash Flow Statement

for the 28 weeks ended 6 March 2004

	Notes	28 weeks ended 6 March 2004 £m	28 weeks ended 1 March 2003 £m	53 weeks ended 23 August 2003 £m
Net cash inflow from operating activities	8(a)	148.0	122.5	231.5
Returns on investment and servicing of finance				
Interest paid		(84.3)	(59.6)	(118.5)
Interest received		5.3	3.2	5.6
Deferred issue costs paid		(14.6)	–	–
Costs of terminating financing arrangements		(10.4)	(1.9)	(1.9)
Dividends paid to preference shareholders of acquired subsidiary		(6.6)	–	–
		(110.6)	(58.3)	(114.8)
Taxation				
Taxation paid		(1.9)	(0.9)	(1.4)
Taxation received		–	–	0.1
		(1.9)	(0.9)	(1.3)
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets ¹		(59.2)	(83.2)	(137.5)
Receipts from sales of tangible fixed assets		63.6	7.0	14.6
		4.4	(76.2)	(122.9)
Acquisitions				
Payments to acquire subsidiary undertakings		(219.3)	(14.9)	(15.2)
Net cash acquired on acquisition of subsidiary undertaking		39.9	–	–
		(179.4)	(14.9)	(15.2)
Equity dividend paid		(10.9)	–	(5.2)
Net cash outflow before financing		(150.4)	(27.8)	(27.9)
Financing				
Issue of Ordinary share capital		3.2	–	0.5
Loans raised		1,012.6	26.5	52.8
Loans repaid		(832.5)	(40.4)	(59.5)
		183.3	(13.9)	(6.2)
Increase/(Decrease) in cash	8(b)	32.9	(41.7)	(34.1)

¹ Payments to acquire tangible fixed assets includes payments of £27.0m on acquisition of new pubs (March 2003: £66.7m; August 2003: £94.7m).

Group Cash Flow Statement continued for the 28 weeks ended 6 March 2004

Cash flows in respect of the 28 weeks ended 6 March 2004

Net cash inflow from operating activities includes outflows of £2.4m in respect of reorganisation costs treated as exceptional during the period. Interest paid includes outflows of £2.4m and interest received includes inflows of £1.8m relating to items treated as exceptional items in the period. Costs of terminating financing arrangements includes £2.5m of items treated as exceptional within interest payable (note 4) in the period together with £5.2m deferred fee paid on redemption of loans and £2.7m paid to terminate interest rate swap arrangements on loans redeemed. Both the deferred fee and swap termination costs relate to loan arrangements within Pubmistress Ltd, the acquired subsidiary, and are reflected in the fair value of assets acquired (see note 9). Receipts from sales of tangible fixed assets include £52.4m of net proceeds relating to disposals treated as exceptional in the period (note 4).

Cash flows for the 28 weeks ended 1 March 2003

Net cash inflow from operating activities included outflows of £2.1m in respect of costs of fundamental reorganisation which, together with the cash outflow in respect of costs of terminating financing arrangements of £1.9m, were exceptional costs relating to the period ended 17 August 2002.

Cash flows for the 53 weeks ended 23 August 2003

Net cash inflow from operating activities included outflows of £3.8m relating to exceptional items expensed during the period ended 17 August 2002. Further, costs of terminating financing arrangements of £1.9m paid during the period ended 23 August 2003 related to exceptional costs charged to the profit and loss account during the period ended 17 August 2002.

Notes to the Accounts

for the 28 weeks ended 6 March 2004

1. Accounting policies

Basis of preparation

The interim financial information is unaudited but has been reviewed by the auditors.

The interim financial information has been prepared in accordance with the Group's accounting policies as set out in the financial statements for the 53 weeks ended 23 August 2003. The valuation of fixed assets has been brought forward from those included in the statutory accounts for the period ended 23 August 2003 without amendment.

The interim report, which was approved by the Board of Directors on 28 April 2004, does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

The figures for the period ended 23 August 2003 are extracted from the audited accounts for that period which have been delivered to the Registrar of Companies and on which the auditors gave an unqualified opinion and did not make any statement under sections 237 (2) or (3) of the Companies Act 1985.

2. Segmental information

All turnover, operating profit and assets and liabilities in the current and prior periods for continuing operations and acquisitions relate to the leased estate.

3. Operating profit

The profit and loss account down to operating profit is split between ongoing and acquired operations as follows:

	28 weeks ended 6 March 2004			28 weeks ended	53 weeks ended
	Ongoing £m	Acquisitions ¹ £m	Total £m	1 March 2003 Total £m	23 August 2003 Total £m
Turnover	231.7	71.5	303.2	217.6	429.0
Cost of sales	(81.5)	(32.6)	(114.1)	(78.2)	(153.3)
Gross profit	150.2	38.9	189.1	139.4	275.7
Administrative expenses:					
Amortisation of goodwill	(0.9)	(1.0)	(1.9)	(0.9)	(1.7)
Depreciation	(3.6)	(1.3)	(4.9)	(2.9)	(5.5)
Exceptional items (note 4)	(1.1)	(1.3)	(2.4)	–	–
Other	(21.8)	(7.0)	(28.8)	(20.4)	(41.1)
Total administrative expenses	(27.4)	(10.6)	(38.0)	(24.2)	(48.3)
Operating profit	122.8	28.3	151.1	115.2	227.4

¹ Relates to the acquisition of Pubmistress Limited, ultimate parent of the Pubmaster trading companies.

Comparative periods relate to ongoing activities.

Notes to the Accounts continued

for the 28 weeks ended 6 March 2004

4. Exceptional items

Included in continuing operations in the current period are the following exceptional items:

	28 weeks ended 6 March 2004 £m
Exceptional administrative expenses	
Redundancy and costs to integrate acquisition of subsidiary	(2.4)
Loss on disposal of tangible fixed assets¹	(11.5)
Interest receivable	
Interest receivable on deposits to fund repayment of old floating rate notes ²	1.8
Interest payable	
Secured loan interest ³	(2.3)
Cost of terminating financing arrangements ⁴	(2.4)
	(4.7)
Total exceptional items	(16.8)
Tax impact of exceptional items	2.4
Exceptional items included in retained profit	(14.4)

¹ The profit and loss account for the period ended 6 March 2004 includes £11.5m losses made on the sale of a package of 256 pubs from the existing pub estate following the acquisition of Pubmistress Ltd in order to comply with competition guidelines.

² £277m was paid into an escrow account to cover redemption of and associated interest payable on floating rate notes relating to the old financing structure that were not subject of an acceptance of tender offer before the refinancing. The exceptional interest receivable represents the interest earned on these funds from date of refinancing (3 November 2003) to the final redemption of the loans (on the following interest payment date) that would not otherwise have been earned had the loans been settled at the date of the debt restructure.

³ Represents interest payable on the floating rate notes not subject to acceptance of tender offer from date of debt restructure to final redemption that would not otherwise been paid had the loans been repaid at date of debt restructure.

⁴ Represents premiums paid together with write-off of deferred issue costs, fair value premiums and other balances relating to the floating rate notes redeemed as a part of the debt restructure.

5. Taxation

The effective taxation charge applied in these interim results of 23.5% reflects the estimated tax rate for the 52 weeks ending 21 August 2004. The effective rate of taxation for the comparative period was 13.7%. Excluding the effects of the utilisation of brought forward losses would result in an effective rate of approximately 30% in both periods.

Notes to the Accounts continued

for the 28 weeks ended 6 March 2004

6. Earnings per Ordinary share

(a) Basic earnings per share

The calculation of basic earnings per share is based on a total profit of £42.6m (March 2003: £48.0m; August 2003: £97.6m), and weighted average number of equity shares in issue during the period of 248,349,124 (March 2003: 248,000,000; August 2003: 248,037,266).

(b) Diluted earnings per share

Diluted earnings per share is the basic earnings per share after allowing for the dilutive effect of the conversion into Ordinary shares of the weighted average number of options outstanding during the period. Diluted earnings per share of 16.8 pence (March 2003: 19.3 pence; August 2003: 39.2 pence) has been calculated using basic earnings of £42.6m (March 2003: £48.0m; August 2003: £97.6m) and after including the effect of all dilutive potential Ordinary shares. The weighted average number of shares can be reconciled as follows:

	28 weeks ended 6 March 2004 No	28 weeks ended 1 March 2003 No	53 weeks ended 23 August 2003 No
Basic weighted average number of Ordinary shares	248,349,124	248,000,000	248,037,266
Dilutive effect from share options	5,034,969	391,763	966,363
Dilutive weighted average number of Ordinary shares	253,384,093	248,391,763	249,003,629

(c) Adjusted earnings per share

Adjusted earnings per share is calculated using basic profits adjusted to exclude exceptional items. It has not been necessary to make any adjustment in comparative periods as there were no exceptional or non-recurring items. The weighted average number of shares used is the same as that used to calculate basic earnings per share.

7. Dividends

An interim dividend of 2.9 pence per Ordinary Share is proposed (March 2003: 2.1 pence; August 2003: 4.4 pence) which will be payable on 5 July 2004 to Shareholders on the register of members on 11 June 2004.

Notes to the Accounts continued

for the 28 weeks ended 6 March 2004

8. Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	28 weeks ended 6 March 2004 £m	28 weeks ended 1 March 2003 £m	53 weeks ended 23 August 2003 £m
Operating profit	151.1	115.2	227.4
Cash flows in respect of costs of fundamental reorganisation	–	(2.1)	(3.8)
Depreciation	4.9	2.9	5.5
Amortisation of goodwill/negative goodwill	1.9	0.9	1.7
(Increase)/decrease in debtors	(1.1)	6.9	6.7
Decrease in current asset investments	–	0.1	0.1
Decrease in creditors and provisions	(8.8)	(1.4)	(6.1)
Net cash inflow from operating activities	148.0	122.5	231.5

(b) Analysis of changes in net debt

	At 23 August 2003 £m	On acquisitions £m	Cash flow £m	Non cash movements £m	At 6 March 2004 £m
Cash at bank	178.7	–	32.9	–	211.6
Bank and other loans	(1,628.5)	(1,095.4)	(165.5)	(2.1)	(2,891.5)
	(1,449.8)	(1,095.4)	(132.6)	(2.1)	(2,679.9)

Cash at bank includes £73.7m (March 2003: £75.4m; August 2003: £74.2m) of deposits which are used as security for guaranteed loan notes.

Non-cash movements are made up of £0.4m relating to amortisation of deferred issue costs and premium on loan notes, offset by a £2.5m write-off of deferred issue costs and premium on redeemed secured loan notes.

(c) Cash flows relating to acquisition

The following table summarises the cash flows relating to continuing operations and acquisitions during the current period:

	Continuing operations £m	Acquisitions £m	Total £m
Net cash inflow from operating activities	111.5	36.5	148.0
Returns on investment and servicing of finance	(79.2)	(31.4)	(110.6)
Taxation paid	(0.8)	(1.1)	(1.9)
Capital expenditure and financial investment	(21.0)	25.4	4.4
Acquisitions	(179.4)	–	(179.4)
Equity dividends paid	(10.9)	–	(10.9)
Net cash outflow before financing	(179.8)	29.4	(150.4)

Of total loans repaid during the period of £832.5m, £114.6m relates to repayments of loans that were acquired through the Pubmistress Ltd acquisition.

Notes to the Accounts continued

for the 28 weeks ended 6 March 2004

9. Acquisitions during the period

Acquisition of subsidiaries: Pubmistress Ltd

On 1 December 2003 the Group acquired the entire share capital of Pubmistress Ltd which operates a leased/tenanted estate. At the date of acquisition the estate consisted of 3,115 pubs.

The acquisition is summarised as follows:

	Book value £m	Provisional fair value adjustment £m	Fair value £m
Intangible fixed assets	94.4	(94.4)	–
Tangible fixed assets	932.8	325.8	1,258.6
Debtors	51.2	(16.8)	34.4
Cash	39.9	–	39.9
Creditors and provisions	(70.2)	(26.2)	(96.4)
Loans	(1,013.4)	(82.0)	(1,095.4)
Net assets acquired	34.7	106.4	141.1
Provisional goodwill arising on acquisition			82.7
Total consideration			223.8

The principal fair value adjustments were in respect of:

- revaluation of fixed assets and reversal of consolidated goodwill
- revaluation of loans and financial instruments (included in creditors and provisions) to fair value
- provision for deficit on defined benefit pension scheme
- provision for onerous leases
- additional provision for bad debts
- derecognition of deferred taxation losses included within debtors

Independent Review Report to Punch Taverns plc

We have been instructed by the company to review the financial information for the twenty-eight weeks ended 6 March 2004 which comprises Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Shareholders' Funds, Group Balance Sheet and Group Cash Flow Statement and the related notes 1 to 9. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the twenty-eight weeks ended 6 March 2004.

Ernst & Young LLP
Birmingham

28 April 2004

Company Information

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Financial Calendar

Interim Dividend	5 July 2004
Year end	21 August 2004
Preliminary Results Announcement	November 2004
Final Dividend	January 2005

Directors of the Company

Peter Cawdron

Non-Executive Director

Phil Cox

Non-Executive Chairman

Adrian Fawcett

Executive Director
Appointed 15 January 2004

Mike Foster

Non-Executive Director

Marc Jonas

Non-Executive Director

Robert McDonald

Finance Director

Cornel Riklin

Non-Executive Director
Resigned 15 December 2003

Randl Shure

Non-Executive Director

Fritz Ternofsky

Non-Executive Director

Giles Thorley

Chief Executive

Notes

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