

Punch

TAVERNS

FINANCIAL REVIEW

Financial Review

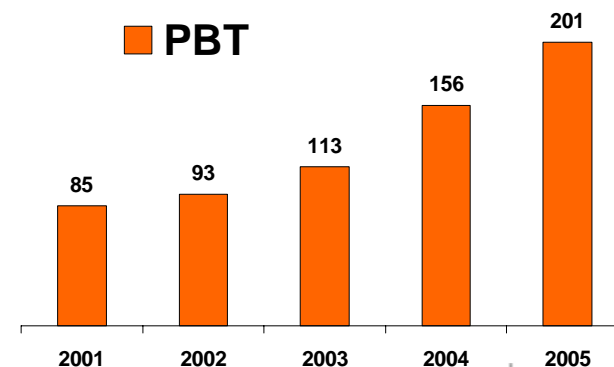
- Results cover 52 weeks to 20th August 2005
 - Full contribution from Pubmaster – acquired December 2003
 - 49 week contribution from InnSpired – acquired September 2004
 - 2 week contribution from Avebury – acquired August 2005
- Restructure of securitised debt in August 2005
- Reported on UK GAAP basis

Strong Earnings Growth

52 weeks to 20th August

	<u>£m</u>	<u>growth</u>
	pre exceptionals	
Turnover	770.1	21%
EBITDA	412.1	21%
Depreciation	(12.8)	
Interest	(192.3)	
PBTA	207.0	28%
Property Profit	0.0	
Amortisation	(6.5)	
PBT	200.5	28%
Tax	(43.8)	
Net Profit	156.7	29%
EPS	62.3	28%

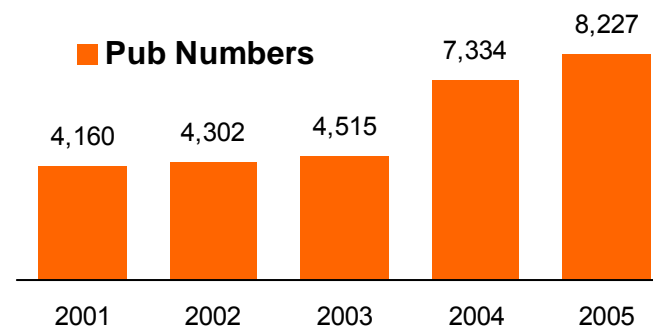
- Operating margin 54%
- Interest covered 2.1x
- Tax charge 22% pre exceptionals
- PBT increased 2.4x in last four years



Pub Numbers

August 2004	7,334
InnSpired Acquisition	471
Avebury Acquisition	409
Other Acquisitions	106
Disposals	(93)
August 2005	8,227
<i>average in year growth</i>	<i>7,765</i> <i>18%</i>

Closing Pub Numbers	
Punch	4,435
Pubmaster	2,912
InnSpired	471
Avebury	409
Total	8,227



Contribution by Estate

£m (pre exceptionals)	<u>Punch</u> (52 wks)	<i>growth</i>	<u>Pubmaster</u> (52 wks)	<u>InnSpired</u> (49 wks)	<u>Avebury</u> (2 wks)	<u>Total</u>
Turnover	458.1	4%	268.8	41.6	1.6	770.1
Gross profit	298.4	4%	156.4	25.1	0.8	480.7
Costs	(40.2)	(4%)	(25.1)	(3.2)	(0.1)	(68.6)
EBITDA	258.2	4%	131.3	21.8	0.7	412.1
<i>Margin</i>	<i>56%</i>		<i>49%</i>	<i>52%</i>		<i>54%</i>
<i>EBITDA per pub (annualised)</i>	<i>£58k</i>		<i>£45k</i>	<i>£49k</i>		<i>£53k</i>

- Punch growing turnover and profit
- Pubmaster margin improved to 49% from 46% last year
- InnSpired and Avebury estates contributing from day one

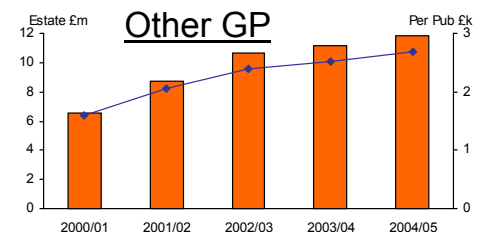
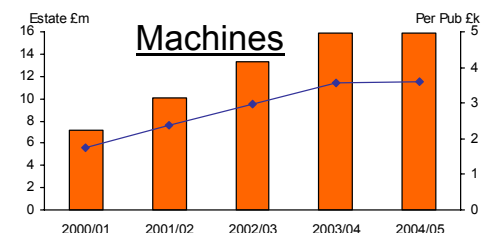
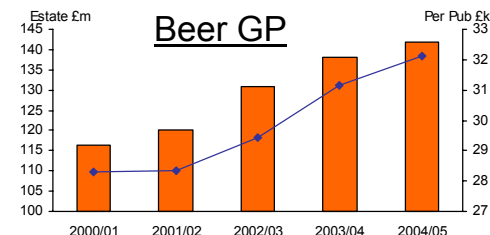
Income Stream Progression

	Punch (52 w ks)	<i>growth</i>	Pubmaster (52 w ks)	InnSpired (49 w ks)	Total
Turnover £m:					
Beer	275.6	3%	161.0	26.5	463.0
Rent	129.2	6%	56.8	10.2	196.2
Machines	15.9	0%	11.4	1.0	28.3
Other	37.4	6%	39.7	3.9	81.0
Total	458.1	4%	268.8	41.6	768.5
Gross Profit £m:					
Beer	141.7	3%	79.3	12.1	233.2
Rent	129.0	6%	56.6	10.2	195.8
Machines	15.9	0%	11.4	1.0	28.3
Other	11.8	6%	9.1	1.7	22.6
Total	298.4	4%	156.4	25.1	479.9

Note: Pubmaster Other includes GRS Inns (net turnover £16.3m, gross profit £2.6m)

Includes minor reallocation of prior year categories

PUNCH ESTATE ONLY



 Total Punch Estate
 Average per pub

Growing Turnover and Profits

Average per pub

	Turnover	EBITDA
Punch	+4.0%	+4.0%
Pubmaster	+3.2%	+7.6%
InnSpired	+1.3%	+4.5%

Like for Like

	Turnover	Pub Contribution
Punch	+2.5%	+2.5%

- Steady organic growth in Punch estate extended by pub churn
- Pubmaster now growing strongly following integration and the start of investment programme
- InnSpired estate benefiting from integration synergies

Notes:

1. Pubmaster and InnSpired averages are compared to pre-acquisition management accounts.
2. Like for like estate includes all pubs except acquisitions made since Aug 2003 and imminent disposals (4,202, 95% of current Punch estate)

Cash Generation and Uses

£m	<u>2005</u>
EBITDA	412
Working capital, provisions, etc	(3)
Infrastructure investment	(3)
Tax	(13)
Cash generation	393
Pub investment	(72)
Individual acquisitions	(64)
Disposal proceeds	29
Interest	(198)
Dividends	(25)
Cash generated pre major acquisition	63
InnSpired acquisition	(213)
Avebury acquisition	(219)

- Cash generated in year was 51% of turnover
- Key uses of cash:
 - Investment in estate
 - Acquisitions
 - Servicing capital structure
- Free cash flow created debt capacity to fund InnSpired and Avebury acquisitions

Strong Balance Sheet

£m	<u>2005</u>	<u>2004</u>
Fixed assets	4,362	3,674
Working capital	(185)	(135)
Provisions	(122)	(103)
Cash	249	165
Securitised debt	(3,250)	(2,787)
Other debt	(1)	(14)
Net Assets	1,053	800
<i>Net debt</i>	<i>3,002</i>	<i>2,636</i>

- Asset value includes uplift of £128m from revaluation of 20% sample of core estate
- Asset and cash rich
- All debt is securitised, fixed rate and long term
- 32% growth in net assets in year, with reduced financial gearing

Note : Cash and debt are shown net of £31m cash collateralised loan notes (August 2004: £73m) and £169m relating to repayment of old Pubmaster floating rate debt settled on 30 September 2005 as part of the securitisation restructure

Pubmaster Debt Restructure

- Pubmaster securitised debt was restructured in August
 - Refinanced Pubmaster, InnSpired acquisitions and all short term debt onto long term basis at investment grade
 - Reduced average interest rate to 6.2% in this grouping and 6.8% overall
 - Updated covenants to ensure operational flexibility
 - Deferred repayments for 4 years to focus cash on investment
 - Released c£150m new cash – paved the way for Avebury acquisition
- Details of securitised debt profiles on our website and summarised in appendix

Accounting Points

- IFRS
 - Will apply from current financial year
 - Little impact on earnings anticipated
 - Full review to be presented in early 2006
- Exceptional non-recurring costs
 - Total £16.3m pre tax
 - Key items acquisitions £11.7m, debt refinancing £1.1m, licensing £3.5m
- Avebury acquisition
 - Fair value generating goodwill of £20m
 - Schedule of key facts in Appendix
- Taxation
 - Acquisitions have provided further tax shelters
 - Profit tax of 22% or 20% post exceptionals

Financial Review Summary

- Strong growth in year derived from steady organic operational growth and complementary acquisitions
- Debt refinancing has modernised and strengthened our funding structure, at lower cost
- Balance sheet and cash reserves are strong