



PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL REPORT – MARCH 2004 QUARTER

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PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL REPORT – MARCH 2004 QUARTER

Basis of Preparation

The financial reporting period for Punch Taverns Holdings Limited and its subsidiaries (“The Securitised Group”) is determined by reference to the closing date of 3 November 2003. This report covers the twelve week period to 6 March 2004, which is the second quarter of the 2003/04 financial year.

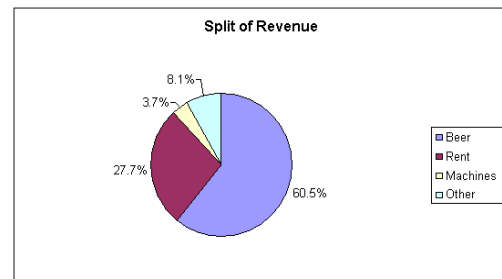
The balance sheet on page 6 has been prepared using the acquisition method of accounting.

Profit Commentary

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

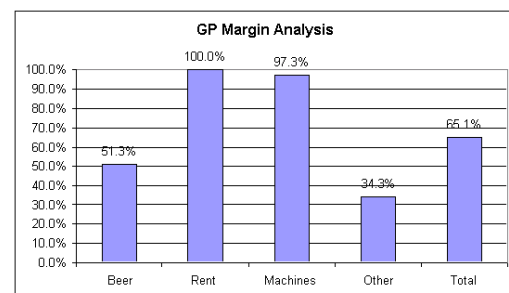
- **Turnover**

- Total turnover of £96.9m
- Rent contribution of 27.7% (up from 26.5% in prior quarter), driven in part by an increase in number of growth leases in estate from 1,427 at end of Q1 2003/04 to 1,462 at end of Q2 2003/04.



- **Gross Profits**

- Total gross profits of £63.1m, resulting in a gross profit margin of 65.1%.
- Beer gross margin of 51.3% (Q1 2003/04 – 50.8%). Beer margins have shown an upward trend as a result of wholesale price increases on most products during the quarter.
- Rent element of gross profits has risen from 41.6% in quarter 1 to 42.5% in Q2 2003/04.



- **Operating Margin and EBITDA**

- EBITDA of £54.7m, which represent 56.5% of turnover (Q1 2003/04 – 54.5%).



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Estate Portfolio

	<u>Quarter 2</u> 12 weeks to 6 March 2004 <u>No</u>	<u>YTD</u> 18 weeks to 6 March 2004 <u>No</u>
Number of Pubs		
Opening	4,250	4,304
Acquisitions	-	23
Disposals	(19)	(96)
	<u>4,231</u>	<u>4,231</u>

During the period 19 pubs were disposed. Fourteen of these disposals were as a consequence of the Pubmaster acquisition, which was in addition to the 77 pubs disposed of in quarter 1.

One of the 19 pubs disposed related to a pub whose head lease expired. The outlet was the Queens Head, Llandudno.

Investment in Pub Estate

	<u>Quarter 2</u> 12 weeks to 6 March 2004 <u>£000</u>	<u>YTD</u> 18 weeks to 6 March 2004 <u>£000</u>
Payments to acquire new pubs¹	11,330	11,330
Spend on Existing Pubs	<u>9,254</u>	<u>14,947</u>
Total Spend on Estate	<u>20,584</u>	<u>26,277</u>
Disposal Proceeds	<u>7,437</u>	<u>19,189</u>

¹The £11.33m represents the acquisition costs relating to the 23 pubs acquired in Q1 2003/04. The consideration relating to these pubs was paid on 9 January 2004.



PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

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Debt Service Cover Ratio (DSCR)

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

	<u>Quarter 2</u> 12 weeks to 6 March 2004 £000	<u>YTD</u> 18 weeks to 6 March 2004 £000
EBITDA	54,708	83,392
Interest Payable	30,420	45,234
Interest Receivable	(575)	(932)
Capital Repayments ¹	3,318	3,318
	<u>33,163</u>	<u>47,620</u>
Debt Service Cover Ratio	1.65	1.75

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

Interest and Capital Payments

The interest and capital payments shown below relate purely to the revised debt structure.

	<u>Quarter 2</u> 12 weeks to 6 March 2004 £000	<u>YTD</u> 18 weeks to 6 March 2004 £000
Interest Payments		
A1	4,911	4,911
A2	6,111	6,111
A3	1,267	1,267
B1	2,649	2,649
B2	3,752	3,752
C	2,782	2,782
M1	2,354	2,354
M2	4,041	4,041
Swap costs	2,608	2,608
Other	638	638
	<u>31,113</u>	<u>31,113</u>
Capital Repayment	<u>5,807</u>	<u>5,807</u>



PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

PROFIT AND LOSS ACCOUNT

	<u>Quarter 2</u> 12 weeks to 6 March 2004 <u>£000</u>	<u>YTD</u> 18 weeks to 6 March 2004 <u>£000</u>
Turnover		
Beer (net of discounts)	58,630	90,846
Rent	26,816	40,783
Machines	3,591	5,358
Other	7,854	12,560
Total Turnover	<u>96,891</u>	<u>149,547</u>
Gross Profit		
Beer	30,055	46,430
Rent	26,816	40,783
Machines	3,494	5,206
Other	2,697	4,222
Total Gross Profit	<u>63,062</u>	<u>96,641</u>
Operating Costs	(8,354)	(13,249)
EBITDA	<u>54,708</u>	<u>83,392</u>
Exceptional Property Trading Profit / (Losses)	1,367	(7,966)
Depreciation and Amortisation	(1,091)	(1,879)
Exceptional Costs ¹	194	(6,624)
Cash Interest Receivable	575	932
Cash Interest Payable	(30,420)	(45,234)
Non-Cash Interest Charge	(732)	(1,097)
Subordinated Loan Interest	(20,133)	(29,852)
Profit / (Loss) Before Taxation	<u>4,468</u>	<u>(8,328)</u>

¹Principally 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 6 March 2004 <u>£000</u>
Fixed Assets	
Goodwill ¹	(9,657)
Tangible Fixed Assets ¹	2,284,670
	<u>2,275,013</u>
Debtors	
Trade	27,844
Prepayments	16,884
Other	7,603
	<u>52,331</u>
Cash at Bank and In Hand	75,103
CURRENT ASSETS	<u>127,434</u>
Creditors: amounts falling due within one year	
Loans	(15,992)
Trade Creditors	(21,127)
Other Creditors	(19,729)
Corporation Tax	(101,010)
Social Security and Other Taxes	(6,174)
Accruals and Deferred Income	(43,158)
	<u>(207,190)</u>
NET CURRENT LIABILITIES	<u>(79,756)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,195,257</u>
Creditors: amounts falling due after more than one year	
Loans	(1,780,019)
Accruals and Deferred Income	(4,196)
	<u>(1,784,215)</u>
Provisions for Liability and Charges	(50,431)
Amounts due from Group Undertakings	3,415,462
	<u>3,776,073</u>
NET ASSETS	<u>3,776,073</u>
Capital and Reserves	
Share Capital	64
Share Premium	2,963,314
Capital Reserve	35,031
Revaluation Reserve	178,722
Subordinated Loan Funding	588,520
Profit and Loss Reserves ²	18,750
(Loss) for the period	(8,328)
	<u>3,776,073</u>
TOTAL SHAREHOLDERS' FUNDS	<u>3,776,073</u>

¹ Goodwill and fixed assets have been revised by £10m since quarter 1, as a result of the finalisation of the accounting steps relating to the refinancing of the group on 3 November 2003

²As at 3 November 2003 (The Closing Date)



PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED CASH FLOW

	Quarter 2
	12 Weeks to 6
	March 2004
	£000
Net Cash Inflow From Operating Activities¹	45,517
Returns on Investment and Servicing of Finance	
Interest Paid ²	(34,536)
Interest Receivable	419
Deferred Issue Costs Paid	(1,907)
	<u>(36,024)</u>
Taxation Receipts³	<u>1,128</u>
Capital Expenditure and Financial Investment	
Payments to acquire new pubs	(11,330)
Investment Spend on Existing Pubs	(9,254)
Receipt from Sale of Pubs	7,437
	<u>(13,147)</u>
Net Cash (Outflow) Before Financing	<u>(2,526)</u>
Financing	
Loans raised	-
Loan repaid ⁴	(279,144)
Amounts paid to other group undertakings	(1,756)
	<u>(280,900)</u>
NET (DECREASE) IN CASH	<u>(283,426)</u>

¹Includes intercompany movements associated with the supply of wet sales to the trading entities

²Includes £3.4m of exceptional and non-recurring interest charges.

³Represents group relief receivable from fellow Punch group entities

⁴£273.3m of loans repaid represents the final redemption of the FRNs associated with the old debt structure



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 Relevant Period and for the period of two Financial Quarters ending on 6 March 2004 was 1.75:1.
- (b) for the purposes of calculating the above, the following values were relevant for the Financial Quarter just ended:

	<u>Relevant Period</u> 18 weeks to 6 March 2004
Debt Service (£000)	47,620
Interest Charges (£000)	44,302
EBITDA (£000)	83,392

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

Outlet EBITDA	£61.9m	
The average and final balance of each of the Securitisation Group Entity Accounts: Acquisition Reserve A/c Disposal Proceeds A/c Controlled Cash A/c Stamp Duty Reserve A/c Collections A/c Payments A/c	Average Balance (£m)	Final Balance (£m)
	2.9	0.1
	16.2	20.3
	15.3	20.1
	-	-
	36.4	36.0
	(4.2)	(4.4)
CapEx Amounts expended	£9.3m for the period (Minimum Maintenance CapEx Amount Required of £4.3m per annum)	
Number of Punch Taverns Mortgaged Properties disposed of or acquired	Disposals – 19 Acquisitions – Nil	
Number of Pubs in Portfolio	4,231	
Weighted Average Return on all CapEx Amounts spent on all trading Pubs during the period	32%	



PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

	For the Relevant Period (covering the 18 week period to 6 March 2004);
Free Cash Flow	£80.8m
Excess Cash	£33.2m
Restricted Payment Excess Cash	£28.4m

(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