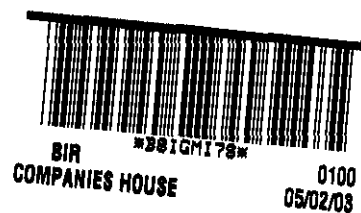


**Punch Retail (Funding Holdings) Limited**

**Report and Financial Statements**

**17 August 2002**



**Punch Retail (Funding Holdings) Limited**  
**Year ended 17 August 2002**

Registered No. 3982429

**DIRECTORS**

K Jones	(resigned 4 March 2002)
N Preston	
C Riklin	(resigned 12 August 2002)
M Jonas	(resigned 31 October 2001)
G Thorley	(appointed 12 August 2002)
S Lambert	(appointed 12 August 2002, resigned 5 November 2002)
R McDonald	(appointed 12 August 2002)

**SECRETARY**

S Rudd

**AUDITORS**

Ernst & Young LLP  
One Colmore Row  
Birmingham  
B3 2DB

**BANKERS**

Barclays Bank plc  
15 Colmore Row  
Birmingham  
B3 2EP

**SOLICITORS**

Slaughter & May  
One Bunhill Row  
London  
EC1Y 8YY

**REGISTERED OFFICE**

Jubilee House  
Second Avenue  
Burton upon Trent  
Staffordshire  
DE14 2WF

**Punch Retail (Funding Holdings) Limited**  
**Year ended 17 August 2002**

**DIRECTORS' REPORT**

The directors present their report and financial statements for the year ended 17 August 2002.

**RESULTS AND DIVIDENDS**

The loss for the year after taxation amounted to £5,000 (August 2001: loss £7,000). The directors do not propose the payment of a dividend (August 2001: Nil).

**PRINCIPAL ACTIVITY**

The principal activity of the company is as a holding company.

**DIRECTORS AND THEIR INTERESTS**

The directors of the company who served during the period are listed on page 1.

None of the directors had any declarable interest in the shares of the company at 17 August 2002 or 18 August 2001.

The following directors have interests in the shares of Punch Taverns plc (formerly Punch Group Limited) as follows:-

	<i>At 17 August 2002</i>		<i>At 18 August 2001 or date of appointment if later</i>	
	<b>Ord Shares</b>	<b>Ord Share Options</b>	<b>Ord Shares</b>	<b>Ord Share Options</b>
N Preston	10,652	58,767	-	-
G Thorley	127,750	6,250,760	127,750	6,250,760
S Lambert	93,818	809,633	93,818	809,633
R McDonald	<u>46,909</u>	<u>159,751</u>	<u>46,909</u>	<u>159,751</u>

Prior to the company's ultimate parent company being floated on the London Stock Exchange, the following directors had interests in Punch Group (Equity) Limited.


	<i>At 18 August 2001 or date of appointment if later</i>			
	<b>L Shares</b>	<b>L Options at 30p</b>	<b>L Options at 32p</b>	<b>M Options at 30p</b>
N Preston	68,125	166,666	-	166,666
G Thorley	-	-	-	-
S Lambert	-	-	-	-
R McDonald	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

At 17 August 2002, none of the directors had interests in Punch Group (Equity) Limited as all shares and options were converted into ordinary shares and share options in Punch Taverns plc on 27 May 2002, being the date of flotation on the London Stock Exchange.

**AUDITORS**

A resolution to re-appoint Ernst & Young LLP as the company's auditors will be put to the forthcoming Annual General Meeting.

On behalf of the board

Director  R. McDONALD  
Date 24th January 2003

**Punch Retail (Funding Holdings) Limited**  
**Year ended 17 August 2002**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Punch Retail (Funding Holdings) Limited**  
**Year ended 17 August 2002**

**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF PUNCH RETAIL (FUNDING HOLDINGS) LIMITED**

We have audited the company's financial statements for the year ended 17 August 2002 which comprise the profit and loss account, balance sheet, and the related notes 1 to 12. These financial statements have been prepared on the basis of the accounting policies set out therein.

*Respective responsibilities of directors and auditors*

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

This report has been prepared for the members of the company pursuant to Section 235 of the Companies Act 1985 (the "Act") and for no other purpose.

No person is entitled to rely on this report unless such person:

- i) is a person who is entitled to rely on this report by virtue of and for the purposes of the Act; or
- ii) has been expressly authorised to do so by our prior written consent

Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.


*Basis of audit opinion*

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

*Opinion*

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 17 August 2002 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young LLP  
Registered Auditor  
Birmingham

3 FEBRUARY 2003

**Punch Retail (Funding Holdings) Limited**  
**Year ended 17 August 2002**

**PROFIT & LOSS ACCOUNT**  
for the year ended 17 August 2002

	<i>Notes</i>	Year ended 17 August 2002 £000	68 week period ended 18 August 2001 £000
Administrative expenses		(5)	(7)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>(5)</u>	<u>(7)</u>
Tax on loss on ordinary activities	3	-	-
<b>LOSS FOR THE YEAR</b>	8	<u><u>(5)</u></u>	<u><u>(7)</u></u>

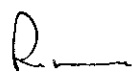
There are no recognised gains and losses other than those shown above.

**Punch Retail (Funding Holdings) Limited**  
**Year ended 17 August 2002**

**BALANCE SHEET**  
at 17 August 2002

	<i>Notes</i>	<b>August 2002 £000</b>	<b>August 2001 £000</b>
<b>FIXED ASSETS</b>			
Investments	4	<u>2,096,700</u>	<u>2,000,000</u>
<b>CURRENT ASSETS</b>			
Debtors due within one year	5	-	10
<b>CREDITORS: amounts falling due within one year</b>	6	<u>(12)</u>	<u>(17)</u>
<b>NET CURRENT LIABILITIES</b>		(12)	(7)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,096,688</u>	<u>1,999,993</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	2,000,000	2,000,000
Capital contribution reserve	8	96,700	-
Profit and loss account	8	<u>(12)</u>	<u>(7)</u>
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	8	<u>2,096,688</u>	<u>1,999,993</u>

Director  
Date

 R. McDONALD  
24th June 2003

**Punch Retail (Funding Holdings) Limited**  
**Year ended 17 August 2002**

**NOTES TO THE FINANCIAL STATEMENTS**

At 17 August 2002

**1. ACCOUNTING POLICIES**

***Basis of preparation***

The financial statements are prepared under the historical cost and in accordance with applicable accounting standards.

In accordance with FRS 18 the directors have continued to review the accounting policies.

There have been no changes to accounting policies during the year.

***Group financial statements***

The company is exempt, under s228 of the Companies Act 1985, from the obligation to prepare consolidated financial statements as the company is a wholly owned subsidiary undertaking of a parent company incorporated in the EU, which prepares consolidated financial statements. As such, these financial statements present information about the company as an individual undertaking and not about its group.

***Fixed asset investments***

Investments in subsidiary undertakings are included at cost, less provisions for impairment in value.

***Taxation***

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**2. DIRECTORS' EMOLUMENTS AND STAFF COSTS**

The directors received no emoluments from the company in the current or preceding period. The company employed no one at any time during the current period (August 2001: Nil)

**Punch Retail (Funding Holdings) Limited**  
**Year ended 17 August 2002**

**NOTES TO THE FINANCIAL STATEMENTS**

At 17 August 2002

**3. TAXATION** *(continued)*

***Reconciliation of tax provision:***

	2002 £000	2001 £000
Loss on ordinary activities before taxation	<u>(5)</u>	<u>(7)</u>
Loss on ordinary activities at standard rate of corporation tax in the UK (30%)	(2)	(2)
Losses carried forward	<u>2</u>	<u>2</u>
	<u>-</u>	<u>-</u>

**4. INVESTMENTS**

	Shares in subsidiary undertakings £000
<b>Cost and net book value:</b>	
At 18 August 2001	2,000,000
Addition	96,700
At 17 August 2002	<u>2,096,700</u>

The addition during the year relates to a capital contribution made to a subsidiary.

The principal subsidiary undertakings, which are all wholly owned, and in which the shareholdings are in ordinary shares, are as follows:

<i>Name of company</i>	<i>Nature of business</i>
Punch Retail (Managed Holdings) Limited	Holding company
Punch Pub Company (VPR) Limited	Pub operating company
Punch Funding II Limited	Financing company

All of the above are incorporated within the U.K., except Punch Funding II Limited, which is incorporated in the Cayman Islands.

**5. DEBTORS**

	2002 £000	2001 £000
<i>Due in less than one year</i>		
Amounts due from group undertakings	<u>-</u>	<u>10</u>

**Punch Retail (Funding Holdings) Limited**  
**Year ended 17 August 2002**

**NOTES TO THE FINANCIAL STATEMENTS**

At 17 August 2002

**6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2002 £000	2001 £000
Amounts due to group undertakings	<u>12</u>	<u>17</u>

**7. SHARE CAPITAL**

	2002 No '000	2002 £000	2001 No '000	2001 £000
<i>Authorised</i> Ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
<i>Allotted, called up and fully paid</i> Ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>

**8. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES**

	Share Capital £000	Capital contribution reserve £000	Profit & loss account £000	Total Share- holders' funds £000
At incorporation	-	-	-	-
Issue of shares	2,000,000	-	-	2,000,000
Loss for the period	-	-	(7)	(7)
At 18 August 2001	<u>2,000,000</u>	<u>-</u>	<u>(7)</u>	<u>1,999,993</u>
Loss for the year	-	-	(5)	(5)
Capital contribution from parent company	-	96,700	-	96,700
At 17 August 2002	<u>2,000,000</u>	<u>96,700</u>	<u>(12)</u>	<u>2,096,688</u>

**Punch Retail (Funding Holdings) Limited**  
**Year ended 17 August 2002**

**NOTES TO THE FINANCIAL STATEMENTS**

At 17 August 2002

**9. CONTINGENT LIABILITIES**

Pursuant to a whole business securitisation the company is jointly and severally liable with other group companies for all advances made by Punch Funding II Limited to the company and other group companies pursuant to an Issuer/Borrower Facility Agreement dated 28th June, 2000.

The total advances outstanding under the Issuer/Borrower Facility Agreement as at 17 August 2002 equal £732m (August 2001: £1,404m). In addition, as security for amounts outstanding under the Issuer/Borrower Facility Agreement the company has, in addition with other members of the Punch Group, granted full fixed and floating security over all of the company's assets and undertaking.

The company has joint and several liability to continue to make payments arising from arrangements which swap LIBOR for a fixed interest rate on an initial principal debt of £282m (August 2001: £1,034m).

The company has joint and several liability for VAT with other group companies.

**10. CASH FLOW**

The company has taken advantage of the exemption conferred under FRS 1 not to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of an EU parent, in whose financial statements a consolidated cash flow statement is prepared.

**11. RELATED PARTY DISCLOSURES**

The company has taken advantage of the exemption in paragraph 3(c) of FRS8 from disclosing transactions with related parties that are part of the Punch Taverns plc Group or investees of the group. There were no other related party transactions during the year.

**12. ULTIMATE PARENT UNDERTAKING**

The company's ultimate parent undertaking and controlling party is Punch Taverns plc.

The parent undertaking of the only group of undertakings for which group financial statements are drawn up and of which the company is a member is Punch Taverns plc which is registered in England and Wales.

Copies of the financial statements of Punch Taverns plc are available from the Secretary, Punch Taverns plc., Jubilee House, Second Avenue, Burton upon Trent, Staffordshire, DE14 2WF.