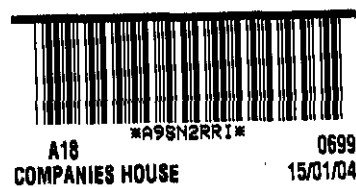


Punch Group (Equity) Limited

Report and Financial Statements

23 August 2003



Punch Group (Equity) Limited
53 week period ended 23 August 2003

Registered No. 3982441

DIRECTORS

D Kemp
R McDonald
N Preston
G Thorley

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 Group (Equity) Limited
53 week period ended 23 August 2003

DIRECTORS' REPORT

The directors present their report and financial statements for the 53 week period ended 23 August 2003.

RESULTS AND DIVIDENDS

The loss for the financial period amounted to £33,028,000 (52 week period ended 17 August 2002: loss of £28,189,000). The directors do not propose the payment of a dividend (August 2002: Nil).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

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 23 August 2003 or 17 August 2002.

The beneficial interests of Directors who held office at 23 August 2003 in the shares of Punch Taverns plc are shown below:

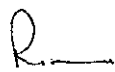
	<i>At 23 August 2003</i>		<i>At 17 August 2002</i>	
	Ord Shares	Ord Share Options	Ord Shares	Ord Share Options
D Kemp	27,845	149,953	45,345	100,984
R McDonald	46,909	310,603	46,909	159,751
N Preston	1,000	108,221	10,652	58,767
G Thorley	<u>137,750</u>	<u>6,405,399</u>	<u>127,750</u>	<u>6,250,760</u>

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

R J McDonald
Director
Date


13/11/2004

Punch Group (Equity) Limited
53 week period ended 23 August 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial period 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 period. 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Punch Group (Equity) Limited
53 week period ended 23 August 2003

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PUNCH GROUP (EQUITY) LIMITED

We have audited the company's financial statements for the period ended 23 August 2003 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 14. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 United Kingdom law and accounting standards.

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 23 August 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Birmingham

13 JANUARY 2004

Punch Group (Equity) Limited
53 week period ended 23 August 2003

PROFIT & LOSS ACCOUNT

for the 53 week period ended 23 August 2003

	<i>Notes</i>	53 week period ended 23 August 2003 £000	52 week period ended 17 August 2002 £000
Administrative expenses		-	(191)
OPERATING LOSS		-	(191)
Income from fixed asset investments		-	103
Interest receivable	3	-	8
Interest payable	4	(47,183)	(40,191)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(47,183)	(40,271)
Tax on loss on ordinary activities	5	14,155	12,082
LOSS TRANSFERRED TO RESERVES		(33,028)	(28,189)

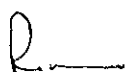
There are no recognised gains and losses other than those shown above.

Punch Group (Equity) Limited
53 week period ended 23 August 2003

BALANCE SHEET
at 23 August 2003

	<i>Notes</i>	23 August 2003 £000	17 August 2002 £000
FIXED ASSETS			
Investments	6	<u>350,909</u>	<u>350,909</u>
CURRENT ASSETS			
Debtors due within one year	7	38,423	24,268
Debtors due after more than one year	7	<u>390,829</u>	<u>390,829</u>
		429,252	415,097
CREDITORS: amounts falling due within one year	8	<u>(19,461)</u>	<u>(16,218)</u>
NET CURRENT ASSETS		409,791	398,879
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>760,700</u>	<u>749,788</u>
CREDITORS: amounts falling due after more than one year	9	(462,816)	(418,876)
NET ASSETS		<u>297,884</u>	<u>330,912</u>
CAPITAL AND RESERVES			
Called up share capital	10	62,599	62,599
Share premium	11	313,203	313,203
Profit and loss account	11	<u>(77,918)</u>	<u>(44,890)</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	11	<u>297,884</u>	<u>330,912</u>

R J McDonald
Director
Date:


13/1/2004

Punch Group (Equity) Limited
53 week period ended 23 August 2003

NOTES TO THE FINANCIAL STATEMENTS

at 23 August 2003

1. ACCOUNTING POLICIES

Basis of preparation

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

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

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 assets 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.

Punch Group (Equity) Limited
53 week period ended 23 August 2003

NOTES TO THE FINANCIAL STATEMENTS

at 23 August 2003

2. DIRECTORS' EMOLUMENTS AND STAFF COSTS

The directors received no emoluments from the company in the current or preceding period. The company had no employees during the current or preceding period.

3. INTEREST RECEIVABLE

	2003 £000	2002 £000
Bank interest receivable	<u>-</u>	<u>8</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £000	2002 £000
Amounts payable to parent undertaking	<u>47,183</u>	<u>40,191</u>

5. TAXATION

	2003 £000	2002 £000
The credit for tax on the loss for the period comprises:		
UK corporation tax – current period group relief receivable	<u>14,155</u>	<u>12,082</u>

The tax credit arises from the surrender of losses to other group companies for group relief. This is exactly 30% of the company's pre tax losses for the current and preceding period.

Punch Group (Equity) Limited
53 week period ended 23 August 2003

NOTES TO THE FINANCIAL STATEMENTS
at 23 August 2003

6. INVESTMENTS

**Shares in
subsidiary
undertakings
£000**

Cost:

At 17 August 2002 and 23 August 2003

350,909

Details of the principal subsidiary undertakings in which the shareholding is in ordinary shares, are as follows:

<i>Name of company</i>	<i>Nature of business</i>
Owned directly:	
Punch Group (Retail Properties) Limited	Pub operating company
Punch Group (Retail Holdings) Limited	Holding company
Punch Taverns Group Limited	Holding company
Owned by subsidiary company:	
Punch Retail (Acquisition Finance) Limited	Holding company
Punch Taverns Holdings Limited	Holding company
Punch Pub Company (VPR) Limited	Pub operating company
Punch Funding II Limited	Financing company
Punch Pub Company (PTL) Limited	Pub operating company
Punch Taverns Beer Supply Company Limited	Intermediate supply company
Punch Taverns Finance Limited	Financing company
Punch Pub Company (Fradley) Limited	Pub operating company
Punch Pub Company (Red) Limited	Financing company
Punch Pub Company (CMG) Limited	Pub operating company
Punch Pub Company (Supply) Limited	Intermediate supply company

All of the above are incorporated within England and Wales, except Punch Funding II Limited, which is incorporated in the Cayman Islands.

7. DEBTORS: due in less than one year

	2003	2002
	£000	£000
<i>Due in less than one year</i>		
Other debtors	33,393	19,238
Amounts due from group undertakings	1,771	1,771
Amounts due from parent undertaking	3,259	3,259
	<u>38,423</u>	<u>24,268</u>

Punch Group (Equity) Limited
53 week period ended 23 August 2003

NOTES TO THE FINANCIAL STATEMENTS
at 23 August 2003

7. DEBTORS (continued)

	2003	2002
	£000	£000
<i>Due after more than one year</i>		
Amounts due from group undertakings	<u>390,829</u>	<u>390,829</u>

8. CREDITORS: amounts falling due within one year

	2003	2002
	£000	£000
Amounts due to parent undertaking	19,387	16,145
Amounts due to group undertakings	<u>74</u>	<u>73</u>
	<u>19,461</u>	<u>16,218</u>

9. CREDITORS: amounts falling due after more than one year

	2003	2002
	£000	£000
Amounts due to parent undertaking	<u>462,816</u>	<u>418,876</u>

The amount due to parent undertaking after one year relates to a debenture issued by the company.

Tranche:	2003	2002	Repayment Date	Interest Rate
<i>Due after five years:</i>				
Tranche A	55,256	49,178	30 September 2009	12% p.a.
<i>Due between two and five years:</i>				
Tranche C	250,263	216,561	5 October 2006	15% p.a.
Tranche D	30,888	26,728	30 September 2005	15% p.a.
Other Tranches	126,409	126,409	Various between 2-5 years	Nil
	<u>462,816</u>	<u>418,876</u>		

The debenture has been secured by way of fixed and floating charge over various assets of the group companies.

Punch Group (Equity) Limited
53 week period ended 23 August 2003

NOTES TO THE FINANCIAL STATEMENTS
at 23 August 2003

10. SHARE CAPITAL

	2003 No (000)	2003 £000	2002 No (000)	2002 £000
<i>Authorised</i>				
Deferred shares of £0.05	<u>2,000,000</u>	<u>100,000</u>	<u>2,000,000</u>	<u>100,000</u>
	2003 No. 000	2003 £000	2002 No. 000	2002 £000
<i>Allotted, called up and fully paid</i>				
Deferred shares of £0.05	<u>1,251,983</u>	<u>62,599</u>	<u>1,251,983</u>	<u>62,599</u>

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share Capital	Share Premium	Profit & Loss Account	Total Share- holders' Funds
	£000	£000	£000	£000
At 18 August 2001	62,082	310,409	(16,701)	355,790
Issue of shares	517	2,794	-	3,311
Loss for the year	-	-	(28,189)	(28,189)
At 17 August 2002	<u>62,599</u>	<u>313,203</u>	<u>(44,890)</u>	<u>330,912</u>
Loss for the period	-	-	(33,028)	(33,028)
At 23 August 2003	<u>62,599</u>	<u>313,203</u>	<u>(77,918)</u>	<u>297,884</u>

12. CASH FLOW

In accordance with Paragraph 5 of FRS 1 (Revised) these financial statements do not include a cash flow statement as the company is a subsidiary undertaking of Punch Taverns plc which publishes a consolidated cash flow statement.

13. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption in paragraph 3(c) of FRS 8 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 period.

Punch Group (Equity) Limited
53 week period ended 23 August 2003

NOTES TO THE FINANCIAL STATEMENTS

at 23 August 2003

14. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking and controlling party is Punch Taverns plc, a company registered in England & Wales.

The parent undertaking is the only group of undertakings for which group financial statements are drawn up and of which the company is a member.

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.