



**PUNCH TAVERNS FINANCE B
PUNCH TAVERNS (PMH) LIMITED AND SUBSIDIARY COMPANIES**

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2007)

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PUNCH TAVERNS FINANCE B PUNCH TAVERNS (PMH) LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2007)

Introduction

This report covers the 16 week period to 8 December 2007, which is the first quarter of the 2007/08 financial year.

This report is prepared under UK Generally Accepted Accounting Principles ("UK GAAP") and excludes any impact of International Financial Reporting Standards ("IFRS").

FRS 26 'Financial Instruments: Measurement' has been implemented in this report, in line with UK GAAP, and the comparative figures have been restated accordingly.

Profit Commentary

Trading results for the 16 week period were as follows:

- **Sales**

Turnover for the 16 week period to 8 December 2007 was £86.4m, of which rent contributed 28.0%, up from 25.4% in Q1 2006/07.

- **Gross profits**

The total gross profit in the 16 week period to 8 December 2007 was £57.1m, which gave a gross profit margin of 66.1% compared to a total gross profit of £56.9m in Q1 2006/07 (margin of 63.7%).

- **Operating Margin and EBITDA**

Operating margin for the 16 week period to 8 December 2007 was 57.4% resulting in an EBITDA of £49.6m. This is an increase in operating margin of 3.4% as compared to Q1 2006/07, when operating margin was 54.0%.

EBITDA per pub for the rolling 4 quarters is £58,200, up from £50,900 at the same point in 2006/07.

EBITDA in total for the 52 week period to 8 December 2007 was £165.5m. This compares favourably to the run rate of £157.0m, as stated in the Offering Circular.



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Estate Portfolio

- 2 pub disposals were made during the quarter, for net proceeds of £0.4m, resulting in a closing estate of 2,752.

	<u>Quarter 1</u> <u>16 weeks to</u> <u>8 December</u> <u>2007</u> <u>No</u>	<u>2006/07</u> <u>52 weeks to</u> <u>18 August</u> <u>2007</u> <u>No</u>
Number of Pubs		
Opening	2,754	3,037
Acquisitions	-	66
Other	-	(1)
Disposals	(2)	(348)
	<u>2,752</u>	<u>2,754</u>

Investment in Pub Estate

	<u>Quarter 1</u> <u>16 weeks to</u> <u>8 December</u> <u>2007</u> <u>£m</u>	<u>2006/07</u> <u>52 weeks to</u> <u>18 August</u> <u>2007</u> <u>£m</u>
Payments to acquire new pubs	-	98.0
Spend on existing pubs	10.3	50.1
Total Spend on Estate	<u>10.3</u>	<u>148.1</u>
Disposal Proceeds	<u>0.4</u>	<u>104.3</u>



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Debt Service Cover Ratio (DSCR)

This is calculated as follows (see profit and loss account on page 6):

	<u>Quarter 1</u> 16 weeks to 8 December 2007 £m	<u>Rolling 2 Quarters</u> 28 weeks to 8 December 2007 £m	<u>Rolling 4 Quarters</u> 52 weeks to 8 December 2007 £m
EBITDA	49.6	88.6	165.5
Interest Payable	23.7	41.5	77.7
Interest Receivable	(1.2)	(2.1)	(3.8)
Capital Repayments ¹	-	-	-
	22.5	39.4	73.9
Debt Service Cover Ratio	2.20 : 1	2.24 : 1	2.24 : 1

¹ Capital repayments to commence in December 2009

Interest and Capital Payments

	<u>Quarter 1</u> 16 weeks to 8 December 2007 £m	<u>2006/07</u> 52 weeks to 18 August 2007 £m
Interest Payments		
A3	3.7	14.8
A6	3.3	13.2
A7	3.0	12.0
A8	3.9	13.6
B1	1.6	6.4
B2	2.2	8.8
C	2.2	7.8
Swap costs / (receipts)	(0.9)	(0.8)
Other	0.3	1.4
	19.3	77.2

Capital repayments do not commence until December 2009.



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Restricted Payments

The following payments to Punch Taverns (PMH) Limited can be made during the first half of the financial year in accordance with the Permitted Restricted Payment terms (Clause 16.4(b) of IBFA):

	<u>Relevant Period</u> <u>24 weeks ending</u> <u>18 August 2007</u> <u>£m</u>
Free Cash Flow	77.0
Less: Debt Service	(34.1)
Less: current period restriction of R(FCF) to 1.3: 1	(10.2)
Plus: prior period restriction of unapplied excess cash (A-B)	11.9
Excess Cash	<hr/> 44.6
Capex in relevant period	(24.5)
Add: capex funded from DPA	1.8
Capex required to be funded from excess cash	<hr/> (22.7)
Available Excess Cash:	
Total Permitted Restricted Payment	<hr/> 21.9 <hr/>
Utilisation to date:	
Q1 2007/08 – Repayment of Borrower subordinated loan interest	12.4
Q1 2007/08 – Payment of interim dividend to parent company	<hr/> 9.5
	<hr/> 21.9 <hr/>



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PROFIT AND LOSS ACCOUNT

	<u>Quarter 1</u> 16 weeks to 8 December 2007 £m	<u>2006/07</u> 52 weeks to 18 August ¹ 2007 £m
Turnover		
Beer (net of discounts)	49.8	175.0
Rent	24.2	75.3
Machines	3.2	11.8
Other	9.2	30.8
Total Turnover	86.4	292.9
Gross Profit		
Beer	25.9	90.6
Rent	24.2	75.3
Machines	3.2	11.8
Other	3.8	12.2
Total Gross Profit	57.1	189.9
Operating Costs	(7.5)	(25.8)
EBITDA	49.6	164.1
Loss on Disposal	(0.2)	(24.9)
Depreciation and Amortisation	(1.4)	(4.2)
Exceptional Items ²	(0.2)	(1.8)
Cash Interest Receivable	1.2	3.8
Cash Interest Payable	(23.7)	(77.6)
Non-Cash Interest Income	(0.1)	0.2
Subordinated Loan Interest	(8.2)	(26.9)
Profit Before Taxation	17.0	32.7
Taxation	(5.2)	(3.6)
Profit After Taxation	11.8	29.1
Interim Dividend Paid	(9.5)	(25.6)
Profit for the Period	2.3	3.5

¹ The prior year figures have been restated to reflect the implementation of FRS 26 'Financial Instruments: Measurement', the finalisation of the year end position and the inclusion of taxation. The impact of these adjustments has been to reduce the loss after tax by £18.1m, being £0.4m FRS 26, £2.0m FRS 17 pensions, £2.5m loss on disposal and £13.2m taxation.

² Exceptional items incurred relate to exceptional pension contributions and costs incurred on reorganisation of field and central support teams.



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CONSOLIDATED BALANCE SHEET

	<u>Quarter 1</u> As at 8 December 2007 £m	<u>2006/07</u> As at 18 August 2007 ¹ £m
Fixed Assets		
Investments	1.1	1.1
Goodwill	(17.3)	(17.6)
Tangible Fixed Assets	1,707.9	1,699.9
	<u>1,691.7</u>	<u>1,683.4</u>
Debtors		
Trade	18.7	22.3
Prepayments	6.1	5.9
	<u>24.8</u>	<u>28.2</u>
Derivative Financial Instrument	11.8	11.8
Cash at Bank and In Hand	58.0	69.6
CURRENT ASSETS	<u>94.6</u>	<u>109.6</u>
Creditors: amounts falling due within one year		
Trade Creditors	(2.2)	(4.9)
Other Creditors	(13.0)	(14.4)
Corporation Tax	(0.1)	(0.1)
Social Security and Other Taxes	(6.4)	(3.2)
Accruals and Deferred Income	(28.5)	(24.8)
	<u>(50.2)</u>	<u>(47.4)</u>
NET CURRENT ASSETS	<u>44.4</u>	<u>62.2</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	1,736.1	1,745.6
Creditors: amounts falling due after more than one year		
Loans	(1,234.5)	(1,234.1)
	<u>501.6</u>	<u>511.5</u>
Provisions for Liability and Charges	(18.0)	(16.2)
Pension – Defined Benefit Liability	(2.5)	(2.7)
Amounts due from Group Undertakings	210.1	200.5
NET ASSETS	<u>691.2</u>	<u>693.1</u>
Capital and Reserves		
Share Capital	84.0	84.0
Revaluation Reserve	374.8	375.3
Other Capital Reserves	7.6	7.6
Hedge Reserve	11.8	11.8
Subordinated Loan Funding	182.3	186.5
Profit and Loss Reserves	30.7	27.9
TOTAL SHAREHOLDERS' FUNDS	<u>691.2</u>	<u>693.1</u>

¹ The prior year figures have been restated to reflect the implementation of FRS 26 'Financial Instruments: Measurement, the revaluation of fixed assets, the finalisation of the year end position and the inclusion of taxation. The impact of these adjustments is to increase net assets by £60.4m, being £8.3m FRS 26, £35.0m revaluation, £2.5m FRS17 pensions, £2.2m finalisation of year end position and £12.4m taxation.



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CONSOLIDATED CASH FLOW

	<u>Quarter 1</u> <u>16 weeks to</u> <u>18 August</u> <u>2007</u> <u>£m</u>	<u>2006/07</u> <u>52 weeks to</u> <u>18 August</u> <u>2007</u> <u>£m</u>
Operating profit	48.2	159.9
Depreciation and amortisation	1.4	4.2
Cash flows from exceptional items	(0.2)	(0.4)
Increase in working capital	(11.2)	(14.1)
Net Cash Inflow From Operating Activities	38.2	149.6
Returns on Investment and Servicing of Finance		
Interest paid	(19.3)	(77.2)
Interest received	1.3	3.9
	(18.0)	(73.3)
Taxation Receipts	-	3.3
Capital Expenditure and Financial Investment		
Payments to acquire new pubs	-	(98.0)
Investment spend on fixed assets	(10.3)	(50.1)
Receipt from sale of fixed assets	0.4	104.3
	(9.9)	(43.8)
Equity Dividends Paid	(9.5)	(25.6)
Net Cash Inflow Before Financing	0.8	10.2
Financing		
Amounts paid to other group undertakings	(12.4)	(24.3)
DECREASE IN CASH	(11.6)	(14.1)



**PUNCH TAVERNS FINANCE B
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FINANCIAL RATIO COMPLIANCE CERTIFICATE

To: Deutsche Trustee Company Limited

1. We, Phil Dutton and Neil Preston each being a director of Punch Taverns (PML) Limited hereby certify without incurring any personal liability for the same, that for the Financial Quarter just ended:

- (a) that the financial covenants for the undertakings in Clause 15 of the Issuer/Borrower Facility Agreement have been observed;
- (b) the Debt Service Cover Ratio:
 - i) for the period of four Financial Quarters ending on 8 December 2007 is 2.24 : 1;
 - ii) for the period of two Financial Quarters ending on 8 December 2007 is 2.24 : 1.
- (c) the FCF Ratio:
 - i) for the period of four Financial Quarters ending on 8 December 2007 is 2.23 : 1;
 - ii) for the period of two Financial Quarters ending on 8 December 2007 is 2.23 : 1.
- (d) the Peak Debt Service Ratio is not required to be tested until the Financial Quarter ending on 23 August 2008.
- (e) the Net Worth of the New Securitisation Group calculated in accordance with Clause 15.3 of the Issuer / Borrower Facility Agreement does not need to be tested until the Financial Quarter ending on 23 August 2008.
- (f) for the purposes of calculating the ratios, above, the following values were relevant for the Financial Quarter just ended:

EBITDA:	£49.6m
Look Back EBITDA	There is no requirement to test this covenant until the last quarter ending prior to June 2022
Debt Service:	£22.5m
Expected Class A Debt Service	There is no requirement to test this covenant until the quarter commencing in August 2028
Interest Charges:	£23.7m



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

Free Cash Flow £49.5m
Outlet EBITDA £53.5m

The average and final balance of each of the New Securitisation Group Entity Accounts:

	Average Balances (£m)	Final Balance (£m)
Operating / Collections Accounts	61.3	56.2
Disposal Proceeds Account	1.6	1.0

Minimum Maintenance CapEx Amount £1.6m per semi-annual period

CapEx Amounts expended £10.3m

Number of Punch Taverns B Mortgaged Properties disposed of or acquired Disposed - 2
Acquired - nil

Number of Pubs in Portfolio 2,752

Weighted Average Return on all CapEx Amounts spent on all trading Pubs from close (in accordance with clause 16.8(a) of IBFA) 16.1%

Excess Cash Not required to be tested this quarter.

(h) 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 Borrower Security Trustee) has occurred;

Terms used in this Financial Ratio Compliance Certificate that are not defined herein shall have the meaning given to them in the Master Definitions and Construction Agreement dated 1 August 2005.

Dated: 22 January 2008

Signed for and on behalf of
Punch Taverns (PML) Limited

.....
Finance Director

.....
Director