



**PUNCH TAVERNS FINANCE
PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES**

FINANCIAL REPORT – DECEMBER 2006 QUARTER

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PUNCH TAVERNS FINANCE
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FINANCIAL REPORT – DECEMBER 2006 QUARTER

Introduction

This report covers the 16 week period to 9 December 2006, which is the first quarter of the 2006/07 financial year.

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

Profit Commentary

Trading results for the 16 week period were as follows:

- **Sales**

Turnover for the 16 week period to 9 December 2006 was £131.2m, of which rent contributed 29.0%, up from 28.0% in Q4 2005/06.

- **Gross Profits**

The total gross profit in the 16 week period to 9 December 2006 was £86.5m which gave a gross profit margin of 65.9%, up from 65.7% in Q4 2005/06.

- **Operating Margin and EBITDA**

Operating margin for the 16 week period to 9 December 2006 was 56.6% resulting in an EBITDA of £74.2m.

EBITDA of £243.5m for the 52 weeks to 9 December 2006 compares favourably to the run rate of £237m as stated in the Offering Circular. This is despite having 7% fewer pubs than at the closing date.



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Estate Portfolio

- 6 pub disposals were made during the quarter, for net proceeds of £3.5m, resulting in a closing estate of 4,014.

	Quarter 1 16 weeks to 9 December 2006	2005/06 52 weeks to 19 August 2006
Number of Pubs		
Opening	4,020	4,172
Acquisitions	-	53
Other ¹	-	(11)
Disposals	(6)	(194)
End of Period	4,014	4,020

¹ In the current quarter 1 pub was licensed and the head lease was surrendered on 1 pub. During the prior year, 8 pubs were delicensed, the head leases expired on 2 pubs and the lease was surrendered on one pub.

Investment in Assets

	Quarter 1 16 weeks to 9 December 2006 £m	2005/06 52 weeks to 19 August 2006 £m
Payments to acquire new pubs	-	43.3
Payments to acquire freehold interests in pubs ¹	13.8	-
Spend on existing pubs	18.5	44.4
Spend on other assets	0.7	2.3
Total Spend on Estate	33.0	90.0
Disposal Proceeds²	3.7	70.9

¹ During the quarter the freehold interests were acquired on 69 pubs that were already operated by the Securitised Group.

² Disposal proceeds in the current quarter include £0.2m relating to land and other sales.



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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>	<u>Rolling 2</u> <u>Quarters</u>	<u>2005/06</u>
	16 weeks to 9 December 2006 £m	28 weeks to 9 December 2006 £m	52 weeks to 19 August 2006 £m
EBITDA	74.2	130.3	244.7
Interest Payable	39.0	68.3	128.2
Interest Receivable	(1.6)	(2.8)	(4.8)
Capital Repayments ¹	9.3	16.4	27.3
	46.7	81.9	150.7
Debt Service Cover Ratio	1.59	1.59	1.62

¹ Calculated on a forward accruals basis.

Interest and Capital Payments

	<u>Quarter 1</u> 16 weeks to 9 December 2006 £m	<u>2005/06</u> 52 weeks to 19 August 2006 £m
Interest Payments		
A1	4.9	19.6
A2	5.1	20.4
A3	1.1	5.1
B1	2.6	10.5
B2	3.2	12.6
C	3.5	13.9
M1	3.0	11.7
M2	5.8	23.2
Swap costs	1.9	8.3
Other	0.5	3.0
	31.6	128.3
Capital Repayment		
A3	7.6	28.6



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Restricted Payments

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

	<u>Relevant Period</u> <u>52 weeks</u> <u>ending 19</u> <u>August 2006</u> <u>£m</u>
Excess Cash	88.1
Less: Capex in relevant period	(46.7)
Add: Capex funded from DPA	16.3
Available Excess Cash Amount	<u>57.7</u>
Restricted Payment Excess Cash	73.0
Tax due on the accrual of interest on the Borrower Subordinated Loans	29.5
	<u>102.5</u>
Less: Restriction to ensure total does not exceed Available Excess Cash Amount	(44.8)
	<u>57.7</u>
Utilisation to date:	
Q1 2006/07 – Repayment of Borrower subordinated loan accrued interest	<u>40.0</u>



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PROFIT AND LOSS ACCOUNT

	<u>Quarter 1</u> <u>16 weeks</u> <u>to</u> <u>9 December</u> <u>2006</u> <u>£m</u>	<u>2005/06</u> <u>52 weeks</u> <u>to</u> <u>19 August</u> <u>2006¹</u> <u>£m</u>
Turnover		
Beer (net of discounts)	77.4	259.6
Rent	38.0	121.9
Machines	4.2	14.3
Other	11.6	37.5
Total Turnover	<u>131.2</u>	<u>433.3</u>
Gross Profit		
Beer	39.9	134.4
Rent	38.0	121.9
Machines	4.2	14.3
Other	4.4	14.0
Total Gross Profit	<u>86.5</u>	<u>284.6</u>
Operating Costs	(12.3)	(39.9)
EBITDA	<u>74.2</u>	<u>244.7</u>
Profit/(Loss) on Disposal	0.1	(0.8)
Depreciation and Amortisation	(2.5)	(7.9)
Exceptional Costs ²	(0.1)	(1.5)
Cash Interest Receivable	1.6	4.8
Cash Interest Payable	(39.0)	(128.2)
Non-Cash Interest Charge	(0.8)	(3.2)
Subordinated Loan Interest	(31.6)	(98.3)
Profit Before Taxation	<u>1.9</u>	<u>9.6</u>
Taxation	(0.6)	6.7
Profit After Taxation	<u><u>1.3</u></u>	<u><u>16.3</u></u>

¹ The prior year figures have been restated to reflect the finalisation of the year end position, and the inclusion of taxation. The result of these adjustments has been an increase in profit after taxation of £8.0m.

² Exceptional costs incurred relate to licence reform costs and other related one-off costs.



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CONSOLIDATED BALANCE SHEET

	As at 9 December 2006 £m	As at 19 August 2006¹ £m
Fixed Assets		
Goodwill	(5.5)	(5.6)
Tangible Fixed Assets	2,542.0	2,515.3
	2,536.5	2,509.7
Debtors		
Trade	27.8	24.6
Prepayments	17.2	16.4
	45.0	40.9
Cash at Bank and In Hand	50.4	102.0
CURRENT ASSETS	95.4	143.0
Creditors: amounts falling due within one year		
Loans	(30.4)	(29.9)
Trade Creditors	(5.4)	(6.7)
Other Creditors	(24.1)	(23.1)
Corporation Tax	3.5	4.1
Social Security and Other Taxes	(8.4)	(6.9)
Accruals and Deferred Income	(42.7)	(39.5)
	(107.5)	(102.0)
NET CURRENT ASSETS/(LIABILITIES)	(12.1)	41.0
TOTAL ASSETS LESS CURRENT LIABILITIES	2,524.4	2,550.7
Creditors: amounts falling due after more than one year		
Loans	(1,705.5)	(1,713.0)
Accruals and Deferred Income	(2.9)	(2.9)
	(1,708.4)	(1,715.9)
Provisions for Liabilities and Charges	(73.8)	(73.8)
Amounts due from Group Undertakings	352.6	338.8
NET ASSETS	1,094.8	1,099.8
Capital and Reserves		
Share Capital	-	-
Share Premium	2,963.3	2,963.3
Capital Reserve	32.7	33.0
Intercompany Funding ²	(2,987.9)	(2,987.9)
Revaluation Reserve	365.7	365.7
Subordinated Loan Funding	667.5	675.9
Profit and Loss Reserves	52.1	33.5
Profit / (Loss) for the period	1.4	16.3
TOTAL SHAREHOLDERS' FUNDS	1,094.8	1,099.8

¹ The prior year figures have been restated to reflect the finalisation of the year end position, the revaluation of fixed assets and the inclusion of taxation. The result of these adjustments has been an increase in net assets of £86.6m.

² Represents Punch Taverns (PR) Limited intercompany balances with Punch Taverns (PRAF) Limited and Punch Retail (PRAC) Limited.



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CONSOLIDATED CASH FLOW

	<u>Quarter 1</u> 16 weeks to 9 December 2006 £m	<u>2005/06</u> 52 weeks to 19 August 2006 £m
Operating profit	71.7	236.8
Depreciation and amortisation	2.5	7.9
Cash flows on exceptional items	(0.1)	(1.5)
(Increase)/decrease in working capital	(17.0)	5.1
Net Cash Inflow From Operating Activities	<u>57.1</u>	<u>248.3</u>
Returns on Investment and Servicing of Finance		
Interest paid	(31.6)	(128.3)
Interest received	1.5	4.7
	<u>(30.1)</u>	<u>(123.6)</u>
Taxation Payments	-	-
Capital Expenditure and Financial Investment		
Payments to acquire new pubs	-	(43.3)
Payments to acquire freehold interests in pubs	(13.8)	-
Investment spend on fixed assets	(19.2)	(46.7)
Receipt from sale of fixed assets	3.7	71.4
	<u>(29.3)</u>	<u>(18.6)</u>
Net Cash (Outflow)/Inflow Before Financing	<u>(2.3)</u>	<u>106.1</u>
Financing		
Loan repaid	(7.6)	(28.6)
Amounts paid to other group undertakings	(41.7)	(72.8)
	<u>(49.3)</u>	<u>(101.4)</u>
NET (DECREASE)/INCREASE IN CASH	<u>(51.6)</u>	<u>4.7</u>



PUNCH TAVERNS FINANCE
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FORM OF FINANCIAL RATIO COMPLIANCE CERTIFICATE

To: Security Trustee

1. We, Robert McDonald and Neil Preston each being a director of Punch Taverns (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 period of two Financial Quarters ending on 9 December 2006 was 1.59 :1
- (b) for the purposes of calculating the above, the following values were relevant for the Financial Quarter just ended:

	<u>Relevant</u> <u>Period</u> 28 weeks to 9 December 2006
Debt Service (£m)	81.9
Interest Charges (£m)	68.3
EBITDA (£m)	130.3

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

Outlet EBITDA	£82.9m																					
The average and final balance of each of the Securitisation Group Entity Accounts:	<table border="1"> <thead> <tr> <th></th> <th align="center">Average Balance (£m)</th> <th align="center">Final Balance (£m)</th> </tr> </thead> <tbody> <tr> <td>Acquisition Reserve A/c</td> <td align="center">0.1</td> <td align="center">0.1</td> </tr> <tr> <td>Disposal Proceeds A/c</td> <td align="center">22.1</td> <td align="center">6.0</td> </tr> <tr> <td>Controlled Cash A/c</td> <td align="center">20.4</td> <td align="center">21.1</td> </tr> <tr> <td>Stamp Duty Reserve A/c</td> <td align="center">-</td> <td align="center">-</td> </tr> <tr> <td>Collections A/c</td> <td align="center">56.6</td> <td align="center">24.1</td> </tr> <tr> <td>Payments A/c</td> <td align="center">(7.6)</td> <td align="center">(0.9)</td> </tr> </tbody> </table>		Average Balance (£m)	Final Balance (£m)	Acquisition Reserve A/c	0.1	0.1	Disposal Proceeds A/c	22.1	6.0	Controlled Cash A/c	20.4	21.1	Stamp Duty Reserve A/c	-	-	Collections A/c	56.6	24.1	Payments A/c	(7.6)	(0.9)
	Average Balance (£m)	Final Balance (£m)																				
Acquisition Reserve A/c	0.1	0.1																				
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Stamp Duty Reserve A/c	-	-																				
Collections A/c	56.6	24.1																				
Payments A/c	(7.6)	(0.9)																				
CapEx Amounts expended	£19.2m for the quarter (Minimum Maintenance CapEx Amount required of £4.4m per annum)																					
Number of Punch Taverns Mortgaged Properties disposed of or acquired	Disposals – 6 Acquisitions – nil																					
Number of Pubs in Portfolio	4,014																					
Weighted Average Return on all CapEx Amounts spent on all trading Pubs (in accordance with clause 16.8(c) of IBFA)	23.4%																					



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Free Cash Flow	Not tested this quarter
Excess Cash	Not tested this quarter
Restricted Payment Excess Cash	Not tested this quarter
Net Worth	Not tested this quarter

(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, with the exception of the management services agreement as previously reported;
- (b) no Material Contracts entered into since the Closing Date, other than those previously disclosed;
- (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.

Dated:

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

.....
Finance Director

.....
Director