



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

FINANCIAL REPORT – QUARTER 4 (AUGUST 2007)

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PUNCH TAVERNS FINANCE
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FINANCIAL REPORT – QUARTER 4 (AUGUST 2007)

Introduction

This report covers the 12 week period to 18 August 2007, which is the fourth 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”).

Quarter end dates for the next financial year, to which future reports will be prepared are as follows:

Quarter End	Reporting Period	Reporting Date
8 December 2007	16 weeks	22 January 2008
1 March 2008	12 weeks	15 April 2008
24 May 2008	12 weeks	8 July 2008
23 August 2008	13 weeks	7 October 2008

The 2007/08 financial year for the Punch Taverns group is a 53 week period.

Senior Management Changes

On 6 September 2007, the company announced that Robert McDonald will be retiring as Finance Director of Punch Taverns plc. Phil Dutton, who joined the Board of Punch as a non-Executive Director in January 2007 will replace Robert as Finance Director.

Profit Commentary

Trading results for the 12 week period were as follows:

- **Sales**

Turnover for the 12 week period to 18 August 2007 was £103.3m, of which rent contributed 29.3%, up from 28.0% in Q4 2005/6.

- **Gross Profits**

The total gross profit in the 12 week period to 18 August 2007 was £68.4m, which gave a gross profit margin of 66.2%, compared to a gross profit margin of 65.7% in Q4 2005/06.

- **Operating Margin and EBITDA**

Operating margin for the 12 week period to 18 August 2007 was 59.9% resulting in an EBITDA of £61.8m. This is an increase in operating margin of 4.5% as compared to Q4 2005/06 when EBITDA was £56.1m.

EBITDA per pub for the rolling 4 quarters is £63,928, up from £60,477 at the same point in 2005/06.



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Revised Debt Structure

On 5 July 2007 the Punch Taverns Holdings group concluded a tap issue, the key elements of which are as follows:

- total new proceeds of £825m of which £461m was used to redeem all existing floating rate notes;
- 239 pubs acquired from other companies within the Punch Taverns plc group, for £135m;
- £222m paid to other group companies by a combination of dividends and repayment of intercompany loans.

The ongoing gross debt as at close of the tap issue can be summarised as follows:

Loan Notes	Type	Rating ²	% Rate ¹	Repayable	£m
New issuance					
A3(N)	FRN	AAA/AAA/Aaa	L + 0.13	Jan 2015	125.0
M2(N)	FRN	AAA/AAA/Aaa	L + 0.20	Oct 2028	400.0
B3	FRN	AAA/AAA/Aaa	L + 0.24	Oct 2030	175.0
D1	FRN	BBB/BBB/-	L + 0.82	Oct 2033	125.0
Existing					
A1(R)	Fixed	AAA/AAA/Aa3	7.274	Apr 2022	270.0
A2(R)	Fixed	AAA/AAA/Aaa	6.820	Jul 2020	300.0
M1	Fixed	AA/A/A1	5.883	Jul 2014	200.0
B1	Fixed	BBB+/BBB+/Baa1	7.567	Apr 2022	140.0
B2	Fixed	BBB+/BBB+/Baa1	8.374	Jul 2029	150.0
C(R)	Fixed	BBB/BBB+/Baa3	6.468	Apr 2033	215.0
Total					<u>2,100.0</u>

¹ L represents 3 months Libor which is fully fixed through swap arrangements over the life of the tranche at 5.954%.

² Ratings are as provided by Fitch, Standard & Poors and Moody's respectively.

³ Tranches A2(R), A3(N), M2(N) and B3 are wrapped by Ambac.

Impact on Existing Bonds

On 14 June 2007, the rating of the Class A1(R) Notes was upgraded to Aa3 from A2 and the rating of the Class M1 Notes was upgraded to A1 from A3 by Moody's.

On 5 July 2007, the rating of the Class A1(R) Notes and the underlying rating of the Class A2(R) Notes was upgraded in each case to AAA from A by both Standard and Poor's and Fitch, the rating of the Class M1 Notes was upgraded to AA from A by Fitch and the rating of the Class C(R) Notes was upgraded to BBB+ from BBB by Standard & Poor's.



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Estate Portfolio

- During the period, 239 pubs were acquired, from other companies within the Punch Taverns group, for £134.5m cash. Two pubs were disposed of individually, for £1.3m cash, and the head lease was surrendered on one pub, resulting in a closing estate of 4,035.

	<u>Quarter 4</u> 12 weeks to 18 August 2007	<u>YTD</u> 52 weeks to 18 August 2007
Number of Pubs		
Opening	3,799	4,020
Acquisitions	239	517
Other ¹	(1)	(2)
Disposals	(2)	(500)
End of Period	<u>4,035</u>	<u>4,035</u>

¹ During the period, the head lease was surrendered on 1 pub. In the year to date, 1 pub was licensed, 1 pub was delicensed and the head lease was surrendered on 2 pubs.

Investment in Assets

	<u>Quarter 4</u> 12 weeks to 18 August 2007 <u>£m</u>	<u>YTD</u> 52 weeks to 18 August 2007 <u>£m</u>
Payments to acquire new pubs	134.5	340.2
Payments to acquire freehold interests in pubs ¹	-	13.8
Spend on existing pubs	17.7	57.0
Spend on other assets	0.9	2.5
Total Spend on Estate	<u>153.1</u>	<u>413.5</u>
Disposal Proceeds²	<u>1.7</u>	<u>197.0</u>

¹ During the year to date, the freehold interests were acquired on 69 pubs that were already operated by the Securitised Group.

² Disposal proceeds in the quarter include £0.2m relating to the surrender of a head lease and £0.2m relating to sales of land and other assets. The proceeds in the year to date include £0.2m relating to the surrender of a head lease £0.6m 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 7):

	<u>Quarter 4</u> 12 weeks to 18 August 2007 £m	<u>Rolling 2 Quarters</u> 24 weeks to 18 August 2007 £m
EBITDA	61.8	120.1
Interest Payable	30.0	59.2
Interest Receivable	(1.1)	(2.0)
Capital Repayments ¹	4.5	11.9
	33.4	69.1
Debt Service Cover Ratio	1.85 : 1	1.74: 1

¹ Calculated on a forward accruals basis, affected by the refinancing.

Interest and Capital Payments

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

	<u>Quarter 4</u> 12 weeks to 18 August 2007 £m	<u>YTD</u> 52 weeks to 18 August 2007 £m
Interest Payments		
A1	4.9	19.6
A2	5.1	20.4
A3	0.9	4.1
A3 (N)	-	-
B1	2.7	10.5
B2	3.1	12.6
C	3.5	13.9
M1	2.9	11.7
M2	6.7	25.5
M2 (N)	-	-
Swap costs	-	4.2
Other	1.0	2.7
	30.8	125.2



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Interest and Capital Payments (continued)

	<u>Quarter 4</u> 12 weeks to 18 August 2007 £m	<u>YTD</u> 52 weeks to 18 August 2007 £m
Capital Repayments		
A3 - scheduled repayments	-	23.7
A3 - redemption	61.4	61.4
M2 - redemption	400.0	400.0
	<u>461.4</u>	<u>485.1</u>

Restricted Payments

The following payments to Punch Taverns Intermediate Holdings Limited can be made during the next 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 18</u> <u>August 2007</u> £m
Excess Cash	93.4
Less: Capex in relevant period	(59.5)
Add: Capex funded from DPA	0.7
Available Excess Cash Amount	<u>34.6</u>
Restricted Payment Excess Cash	78.2
Tax due on the accrual of interest on the Borrower Subordinated Loans	30.7
	<u>108.9</u>
Less: Restriction to ensure total does not exceed Available Excess Cash Amount	(74.3)
	<u>34.6</u>



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PROFIT AND LOSS ACCOUNT

	<u>Quarter 4</u> <u>12 weeks</u> <u>to</u> <u>18 August</u> <u>2007</u> <u>£m</u>	<u>YTD</u> <u>52 weeks</u> <u>to</u> <u>18 August</u> <u>2007</u> <u>£m</u>
Turnover		
Beer (net of discounts)	60.0	255.8
Rent	30.3	126.1
Machines	3.2	14.3
Other	9.8	38.1
Total Turnover	103.3	434.3
Gross Profit		
Beer	31.1	131.7
Rent	30.3	126.1
Machines	3.2	14.3
Other	3.8	14.9
Total Gross Profit	68.4	287.0
Operating Costs	(6.6)	(33.9)
EBITDA	61.8	253.1
Loss on Disposal	(4.3)	(19.4)
Depreciation and Amortisation	(2.7)	(10.0)
Termination of Financing Arrangements	(26.0)	(26.0)
Exceptional Costs	(1.4)	(1.4)
Cash Interest Receivable	1.1	4.2
Cash Interest Payable	(30.0)	(127.6)
Non-Cash Interest Charge	(0.1)	(2.1)
Subordinated Loan Interest	(22.4)	(102.2)
Loss Before Taxation	(24.0)	(31.4)
Taxation	6.0	3.5
Loss After Taxation	(18.0)	(28.3)
Dividend Paid	(156.1)	(156.1)
Loss for the Period	(174.1)	(184.0)



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CONSOLIDATED BALANCE SHEET

	As at 18 August 2007 £m	As at 19 August 2006 £m
Fixed Assets		
Goodwill	(7.7)	(5.6)
Investments	2.1	-
Tangible Fixed Assets	2,696.6	2,515.3
	2,691.0	2,509.7
Debtors		
Trade	27.7	24.5
Prepayments	10.6	16.4
	38.3	40.9
Cash at Bank and In Hand	65.3	102.0
CURRENT ASSETS	103.6	142.9
Creditors: amounts falling due within one year		
Loans	(30.0)	(29.9)
Derivative Financial Instrument	(3.6)	-
Trade Creditors	(7.6)	(6.7)
Other Creditors	(26.5)	(24.5)
Corporation Tax	7.6	-
Social Security and Other Taxes	(8.8)	(6.9)
Accruals and Deferred Income	(46.8)	(39.5)
	(115.7)	(107.5)
NET CURRENT (LIABILITIES) / ASSETS	(12.1)	35.4
TOTAL ASSETS LESS CURRENT LIABILITIES	2,678.9	2,545.1
Creditors: amounts falling due after more than one year		
Loans	(2,049.7)	(1,712.9)
Derivative Financial Instrument	(37.1)	-
Accruals and Deferred Income	(3.2)	(2.9)
	(2,090.0)	(1,715.8)
Provisions for Liabilities and Charges	(73.7)	(73.8)
Amounts due from Group Undertakings	516.4	344.3
NET ASSETS	1,031.6	1,099.8
Capital and Reserves		
Share Capital	-	-
Share Premium	2,963.3	2,963.3
Capital Reserve ²	32.2	33.0
Intercompany Funding ¹	(2,987.9)	(2,987.9)
Revaluation Reserve ³	351.1	365.7
Subordinated Loan Funding	635.7	675.9
Profit and Loss Reserves ²	37.2	49.8
TOTAL SHAREHOLDERS' FUNDS	1,031.6	1,099.8

¹ Represents Punch Taverns (PR) Limited intercompany balances with Punch Taverns (PRAF) Limited and Punch Retail (PRAC) Limited.

² During the previous quarter Punch Taverns Holdings Limited received a capital contribution of £156.1m from its immediate parent. At the refinancing on 5 July 2007, the capital contribution was realised and repaid by way of a dividend.

³ The figures above do not reflect the year end adjustment for the revaluation of fixed assets at August 2007. This will be reflected in the Q1 2007/08 report.



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CONSOLIDATED CASH FLOW

	<u>Quarter 4</u> <u>12 weeks to</u> <u>18 August</u> <u>2007</u> <u>£m</u>	<u>YTD</u> <u>52 weeks to</u> <u>18 August</u> <u>2007</u> <u>£m</u>
Operating profit	59.1	243.1
Depreciation and amortisation	2.7	10.0
Cash flows on exceptional items	(1.3)	(1.3)
Decrease / (increase) in working capital	12.4	(5.4)
Net Cash Inflow From Operating Activities	72.9	246.4
Returns on Investment and Servicing of Finance		
Interest paid	(30.8)	(125.5)
Interest received	1.4	4.4
	(29.4)	(121.1)
Taxation Payments	-	-
Capital Expenditure and Financial Investment		
Payments to acquire new pubs	(134.5)	(340.2)
Payments to acquire freehold interests in pubs	-	(13.8)
Investment spend on fixed assets	(18.6)	(59.5)
Receipt from sale of fixed assets	1.7	197.0
	(151.4)	(216.5)
Equity Dividend Paid	(156.1)	(156.1)
Net Cash Outflow Before Financing	(264.0)	(247.3)
Financing		
Loans raised	825.0	825.0
Loans repaid	(461.4)	(485.1)
Termination of financing arrangements ¹	(29.2)	(29.2)
Proceeds from issue of derivative financial instrument	41.0	41.0
Amounts paid to other group undertakings	(87.1)	(151.1)
	288.3	200.6
NET INCREASE / (DECREASE) IN CASH	24.3	(46.7)

¹ Includes £22.5m redemption of swaps, £2.4m of underwriting fees and £4.3m of other fees relating to the refinancing on 5 July 2007.



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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 18 August 2007 was 1.74 :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> 24 weeks to 18 August 2007
Debt Service (£m)	69.1
Interest Charges (£m)	59.2
EBITDA (£m)	120.1

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

Outlet EBITDA	£65.7m																					
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">1.7</td> <td align="center">0.7</td> </tr> <tr> <td>Controlled Cash A/c</td> <td align="center">21.7</td> <td align="center">21.8</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">47.4</td> <td align="center">43.2</td> </tr> <tr> <td>Payments A/c</td> <td align="center">(7.4)</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	1.7	0.7	Controlled Cash A/c	21.7	21.8	Stamp Duty Reserve A/c	-	-	Collections A/c	47.4	43.2	Payments A/c	(7.4)	(0.9)
	Average Balance (£m)	Final Balance (£m)																				
Acquisition Reserve A/c	0.1	0.1																				
Disposal Proceeds A/c	1.7	0.7																				
Controlled Cash A/c	21.7	21.8																				
Stamp Duty Reserve A/c	-	-																				
Collections A/c	47.4	43.2																				
Payments A/c	(7.4)	(0.9)																				
CapEx Amounts expended	£17.7m for the quarter (Minimum Maintenance CapEx Amount required of £4.4m per annum)																					
Number of Punch Taverns Mortgaged Properties disposed of or acquired	Disposals – 2 Acquisitions – 239																					
Number of Pubs in Portfolio	4,035																					
Weighted Average Return on all CapEx Amounts spent on all trading Pubs (in accordance with clause 16.8(c) of IBFA)	22.4%																					



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Free Cash Flow	£245.0m for the 52 week period ended 18 August 2007
Excess Cash	£93.4m for the 52 week period ended 18 August 2007
Restricted Payment Excess Cash	£78.2m for the 52 week period ended 18 August 2007
Net Worth	£515.7m

(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:

- (a) no material amendments made to the Material Contracts since the fourth Closing Date;
- (b) no Material Contracts entered into since the fourth Closing Date;
- (c) there have been 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: 2 October 2007

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

.....
Finance Director

.....
Director