



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

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2007)

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without the written authority of Punch Taverns plc**



PUNCH TAVERNS FINANCE
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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 £136.5m, of which rent contributed 30.6%, up from 29.0% in the 16 week period to 9 December 2006.

Turnover per pub has increased by 3.6% as compared to the same quarter in the previous year.

- **Gross Profits**

The total gross profit in the 16 week period to 8 December 2007 was £90.4m, which gave a gross profit margin of 66.2%, compared to a gross profit margin of 65.9% in the first quarter of the prior year.

- **Operating Margin and EBITDA**

Operating margin for the 16 week period to 8 December 2007 was 59.3% resulting in an EBITDA of £81.0m. This is an increase in operating margin of 2.7% as compared to the 16 week period to 9 December 2006 when EBITDA was £74.2m.

EBITDA per pub for the rolling 4 quarters is £65,600, up from £60,700 at the same point in 2006/07.



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Estate Portfolio

- During the period, 3 pubs were disposed of individually, for £1.9m cash, resulting in a closing estate of 4,032.

	<u>Quarter 1</u> 16 weeks to 8 December 2007	<u>2006/07</u> 52 weeks to 18 August 2007
Number of Pubs		
Opening	4,035	4,020
Acquisitions	-	517
Other	-	(2)
Disposals	(3)	(500)
End of Period	4,032	4,035

Investment in Assets

	<u>Quarter 1</u> 16 weeks to 8 December 2007 <u>£m</u>	<u>2006/07</u> 52 weeks to 18 August 2007 <u>£m</u>
Payments to acquire new pubs	-	340.2
Payments to acquire freehold interests in pubs	-	13.8
Spend on existing pubs	13.9	57.0
Spend on other assets	0.9	2.5
Total Spend on Estate	14.8	413.5
Disposal Proceeds¹	2.3	206.7

¹ The proceeds in the current period include £0.4m 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>16 weeks to</u>	<u>Quarters</u>
	<u>8 December</u>	<u>28 weeks to</u>
	<u>2007</u>	<u>8 December</u>
	<u>£m</u>	<u>2007</u>
	<u>£m</u>	<u>£m</u>
EBITDA	81.0	142.8
Interest Payable	44.3	75.9
Interest Receivable	(1.1)	(2.3)
Capital Repayments ¹	4.5	9.0
	47.7	82.6
Debt Service Cover Ratio	1.70	1.73

¹ Calculated on a forward accruals basis.

Interest and Capital Payments

The interest and capital payments for Q1 relate entirely to the new debt structure. Interest and capital payments for the prior year relate to both the old debt structure and the revised debt structure.

	<u>Quarter 1</u>	<u>2006/07</u>
	<u>16 weeks to</u>	<u>52 weeks to</u>
	<u>8 December</u>	<u>18 August</u>
	<u>2007</u>	<u>2007</u>
	<u>£m</u>	<u>£m</u>
Interest Payments		
A1	4.9	19.6
A2	5.2	20.4
A3	-	4.1
A3 (N)	2.1	-
B1	2.6	10.5
B2	3.2	12.6
B3	3.1	-
C	3.5	13.9
M1	3.0	11.7
M2	-	25.5
M2 (N)	6.9	-
D1	2.4	-
Swap (receipts) / costs	(0.1)	4.2
Other	1.0	2.7
	37.8	125.2



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Interest and Capital Payments (continued)

	<u>Quarter 1</u> 16 weeks to 8 December 2007 <u>£m</u>	<u>2006/07</u> 52 weeks to 18 August 2007 <u>£m</u>
Capital Repayments		
A3 (N) - scheduled repayments	7.5	-
A3 - scheduled repayments	-	23.7
A3 - redemption	-	61.4
M2 - redemption	-	400.0
	<u>7.5</u>	<u>485.1</u>

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 18</u> <u>August 2007</u> <u>£m</u>
Excess Cash	93.4
Less: Capex in relevant period	(59.5)
Add: Capex funded from DPA	0.7
Available Excess Cash Amount	<u><u>34.6</u></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><u>34.6</u></u>
Utilisation to date:	
Q1 2007/08 – Repayment of Borrower subordinated loan accrued interest	20.0
Q2 2007/08 – Repayment of Borrower subordinated loan accrued interest	14.6
	<u><u>34.6</u></u>



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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 2007¹ £m
Turnover		
Beer (net of discounts)	78.3	255.8
Rent	41.8	126.1
Machines	4.1	14.3
Other	12.3	38.1
Total Turnover	136.5	434.3
Gross Profit		
Beer	39.8	131.7
Rent	41.8	126.1
Machines	4.1	14.3
Other	4.7	14.9
Total Gross Profit	90.4	287.0
Operating Costs	(9.4)	(33.9)
EBITDA	81.0	253.1
Loss on Disposal	(1.3)	(19.4)
Depreciation and Amortisation	(3.5)	(10.0)
Termination of Financing Arrangements	-	(3.5)
Exceptional Costs ²	(0.1)	(1.4)
Cash Interest Receivable	1.1	4.2
Cash Interest Payable	(44.3)	(129.3)
Non-Cash Interest Credit / (Charge)	0.6	(1.8)
Subordinated Loan Interest	(29.5)	(102.2)
Profit / (Loss) Before Taxation	4.0	(10.3)
Taxation	(1.6)	15.2
Profit After Taxation	2.4	4.9
Dividend Paid	-	(156.1)
Profit / (Loss) for the Period	2.4	(151.2)

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 for the period by £32.8m, being £22.8m FRS 26, -£1.7m cash interest payable and £11.7m taxation.

² Exceptional costs relate to costs incurred on reorganisation of field and central support teams.



PUNCH TAVERNS FINANCE
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CONSOLIDATED BALANCE SHEET

	As at 8 December 2007 £m	As at 18 August 2007¹ £m
Fixed Assets		
Goodwill	(7.6)	(7.7)
Investments	2.1	2.1
Tangible Fixed Assets	2,790.5	2,783.1
	2,785.0	2,777.5
Debtors		
Trade	25.1	27.7
Prepayments	11.6	10.6
	36.7	38.3
Cash at Bank and In Hand	50.9	65.3
CURRENT ASSETS	87.6	103.6
Creditors: amounts falling due within one year		
Loans	(30.5)	(30.0)
Trade Creditors	(5.4)	(7.6)
Other Creditors	(27.2)	(26.5)
Social Security and Other Taxes	(11.9)	(8.8)
Accruals and Deferred Income	(45.6)	(48.5)
	(120.6)	(121.4)
NET CURRENT (LIABILITIES) / ASSETS	(33.0)	(17.8)
TOTAL ASSETS LESS CURRENT LIABILITIES	2,752.0	2,759.7
Creditors: amounts falling due after more than one year		
Loans	(2,042.2)	(2,049.7)
Accruals and Deferred Income	(1.9)	(3.2)
	(2,044.1)	(2,052.9)
Derivative Financial Instruments	(62.2)	(62.2)
Provisions for Liabilities and Charges	(46.8)	(46.9)
Amounts due from Group Undertakings	533.0	522.2
NET ASSETS	1,131.9	1,119.9
Capital and Reserves		
Share Capital	-	-
Share Premium	2,963.3	2,963.3
Capital Reserve	31.9	32.2
Hedge Reserve	(27.5)	(27.5)
Intercompany Funding ²	(2,987.9)	(2,987.9)
Revaluation Reserve	438.1	437.6
Subordinated Loan Funding	645.3	635.7
Profit and Loss Reserves ²	68.7	66.5
TOTAL SHAREHOLDERS' FUNDS	1,131.9	1,119.9

¹ The prior year figures have been restated to reflect the implementation of FRS 26 'Financial Instruments: Measurement, the revaluation of fixed assets and the finalisation of the year end tax position. The impact of these adjustments has been to increase net assets by £88.3m, being -£21.5m FRS 26, £86.5m revaluation, £25.0m taxation and -£1.7m accruals.

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> <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>
Operating profit	77.5	243.1
Depreciation and amortisation	3.5	10.0
Cash flows on exceptional items	(0.1)	(1.4)
Decrease / (increase) in working capital	(16.4)	(4.9)
Net Cash Inflow From Operating Activities	<u>64.5</u>	<u>246.8</u>
Returns on Investment and Servicing of Finance		
Interest paid	(37.8)	(125.6)
Interest received	1.1	4.4
	<u>(36.7)</u>	<u>(121.2)</u>
Taxation Payments	-	-
Capital Expenditure and Financial Investment		
Payments to acquire new pubs	-	(340.2)
Payments to acquire freehold interests in pubs	-	(13.8)
Investment spend on fixed assets	(14.8)	(59.5)
Receipt from sale of fixed assets	2.3	206.7
	<u>(12.5)</u>	<u>(206.8)</u>
Equity Dividend Paid	-	(156.1)
Net Cash Outflow Before Financing	<u>15.3</u>	<u>(237.3)</u>
Financing		
Loans raised	-	825.0
Loans repaid	(7.5)	(485.1)
Termination of financing arrangements ¹	-	(29.2)
Proceeds from issue of derivative financial instrument	-	41.0
Amounts paid to other group undertakings	(22.2)	(151.1)
	<u>(29.7)</u>	<u>200.6</u>
NET DECREASE IN CASH	<u>(14.4)</u>	<u>(36.7)</u>

¹ In the prior period, termination on financing arrangements 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.



**PUNCH TAVERNS FINANCE
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FINANCIAL RATIO COMPLIANCE CERTIFICATE

To: Security Trustee

1. We, Phil Dutton 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 8 December 2007 was 1.73 :1
- (b) for the purposes of calculating the above, the following values were relevant for the Financial Quarter just ended:

	Relevant Period 28 weeks to 8 December 2007
Debt Service (£m)	£82.6m
Interest Charges (£m)	£75.9m
EBITDA (£m)	£142.8m

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

Outlet EBITDA	£86.5m																					
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">2.5</td> <td align="center">3.8</td> </tr> <tr> <td>Controlled Cash A/c</td> <td align="center">21.1</td> <td align="center">20.2</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">42.9</td> <td align="center">36.7</td> </tr> <tr> <td>Payments A/c</td> <td align="center">(5.4)</td> <td align="center">(8.7)</td> </tr> </tbody> </table>		Average Balance (£m)	Final Balance (£m)	Acquisition Reserve A/c	0.1	0.1	Disposal Proceeds A/c	2.5	3.8	Controlled Cash A/c	21.1	20.2	Stamp Duty Reserve A/c	-	-	Collections A/c	42.9	36.7	Payments A/c	(5.4)	(8.7)
	Average Balance (£m)	Final Balance (£m)																				
Acquisition Reserve A/c	0.1	0.1																				
Disposal Proceeds A/c	2.5	3.8																				
Controlled Cash A/c	21.1	20.2																				
Stamp Duty Reserve A/c	-	-																				
Collections A/c	42.9	36.7																				
Payments A/c	(5.4)	(8.7)																				
CapEx Amounts expended	£13.9m for the quarter (Minimum Maintenance CapEx Amount required of £4.6m per annum)																					
Number of Punch Taverns Mortgaged Properties disposed of or acquired	Disposals – 3 Acquisitions – nil																					
Number of Pubs in Portfolio	4,032																					
Weighted Average Return on all CapEx Amounts spent on all trading Pubs (in accordance with clause 16.8(c) of IBFA)	20.7%																					



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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:
 - (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: 22 January 2008

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

.....
Finance Director

.....
Director