



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

FINANCIAL REPORT – AUGUST 2006 QUARTER

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PUNCH TAVERNS FINANCE
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Introduction

The financial reporting period for Punch Taverns Holdings Limited and its subsidiaries (“The Securitised Group”) is determined by reference to the closing date of 3 November 2003. This report covers the 12 week period to 19 August 2006, which is the fourth quarter of the 2005/06 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
9 December 2006	16 weeks	23 January 2007
3 March 2007	12 weeks	17 April 2007
26 May 2007	12 weeks	10 July 2007
18 August 2007	12 weeks	2 October 2007

Profit Commentary

Trading results for the 12 week period were as follows:

- **Sales**

Turnover for the 12 week period to 19 August 2006 was £101.3m, of which rent contributed 28.0%, up from 27.8% in Q4 2004/05.

- **Gross Profits**

The total gross profit in the 12 week period to 19 August 2006 was £66.5m which gave a gross profit margin of 65.7%.

- **Operating Margin and EBITDA**

Operating margin for the 12 week period to 19 August 2006 was 56.3% resulting in an EBITDA of £57.1m.

EBITDA of £245.7m for the 52 weeks to 19 August 2006 compares favourably to the run rate of £237m as stated in the Offering Circular.

EBITDA per pub for the rolling 4 quarters is £59,979, up from £58,785 at the same point in 2004/05.



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Estate Portfolio

- 53 pubs were acquired in the period from other companies in the Punch Taverns group. 9 of these pubs were previously run as managed pubs by the Spirit group and have been converted to leased pubs.
- 5 pub disposals were made during the quarter, for net proceeds of £3.9m, resulting in a closing estate of 4,020.

	<u>Quarter 4</u> 12 weeks to 19 August 2006	<u>YTD</u> 52 weeks to 19 August 2006
Number of Pubs		
Opening	3,972	4,172
Acquisitions	53	53
Other ¹	-	(11)
Disposals ²	(5)	(194)
End of Period	<u>4,020</u>	<u>4,020</u>

¹ During the year to date, 8 pubs were delicensed, the head leases expired on 2 pubs and the lease was surrendered on one pub.

² 172 pubs have been disposed of during the year as part of packages following the acquisition of Spirit group and Avebury Holdings Limited.

Investment in Assets

	<u>Quarter 4</u> 12 weeks to 19 August 2006 £m	<u>YTD</u> 52 weeks to 19 August 2006 £m
Payments to acquire new pubs	43.3	43.3
Spend on existing pubs	12.6	44.4
Spend on other assets	0.4	2.3
Total Spend on Estate	<u>56.3</u>	<u>90.0</u>
Disposal Proceeds¹	<u>4.2</u>	<u>70.9</u>

¹ Disposal proceeds in the current quarter include £0.3m relating to an unlicensed property. Year to date disposal proceeds includes £0.2m relating to a pub disposed of in Q4 of 2004/05 and £1.4m from the disposal of 2 unlicensed properties.



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Debt Service Cover Ratio (DSCR)

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

	<u>Quarter 4</u> 12 weeks to 19 August 2006 <u>£m</u>	<u>Rolling 2</u> <u>Quarters</u> 24 weeks to 19 August 2006 <u>£m</u>	<u>YTD</u> 52 weeks to 19 August 2006 <u>£m</u>
EBITDA	57.1	114.2	245.7
Interest Payable	29.3	59.1	128.2
Interest Receivable	(1.2)	(2.5)	(4.8)
Capital Repayments ¹	7.1	14.1	27.3
	<u>35.2</u>	<u>70.7</u>	<u>150.7</u>
Debt Service Cover Ratio	1.62	1.62	1.63

¹ Calculated on a forward accruals basis.

Interest and Capital Payments

	<u>Quarter 4</u> 12 weeks to 19 August 2006 <u>£m</u>	<u>YTD</u> 52 weeks to 19 August 2006 <u>£m</u>
Interest Payments		
A1	4.9	19.6
A2	5.1	20.4
A3	1.1	5.1
B1	2.6	10.5
B2	3.1	12.6
C	3.5	13.9
M1	2.9	11.7
M2	5.7	23.2
Swap costs	2.0	8.3
Other	0.8	3.0
	<u>31.7</u>	<u>128.3</u>
Capital Repayment		
A3	<u>7.8</u>	<u>28.6</u>



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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 ending</u> <u>19 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><u>57.7</u></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><u>57.7</u></u>



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PROFIT AND LOSS ACCOUNT

	Quarter 4	YTD
	12 weeks to	52 weeks to
	19 August	19 August
	2006	2006
	£m	£m
Turnover		
Beer (net of discounts)	60.0	259.6
Rent	28.3	121.9
Machines	3.1	14.3
Other	9.9	37.5
Total Turnover	101.3	433.3
Gross Profit		
Beer	31.4	134.4
Rent	28.3	121.9
Machines	3.0	14.3
Other	3.8	14.0
Total Gross Profit	66.5	284.6
Operating Costs	(9.4)	(38.9)
EBITDA	57.1	245.7
Profit/(Loss) on Disposal	0.3	(0.8)
Depreciation and Amortisation	(3.0)	(7.9)
Exceptional Costs ¹	(0.2)	(1.5)
Cash Interest Receivable	1.2	4.8
Cash Interest Payable	(29.3)	(128.2)
Non-Cash Interest Charge	(0.8)	(3.2)
Subordinated Loan Interest	(19.6)	(98.4)
Profit Before Taxation	5.7	10.5
Taxation	(1.0)	(2.2)
Profit After Taxation	4.7	8.3

¹ Exceptional costs incurred relate to licence reform costs and other related one-off costs.



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CONSOLIDATED BALANCE SHEET

	As at 19 August 2006 ² <u>£m</u>	As at 20 August 2005 <u>£m</u>
Fixed Assets		
Goodwill	(5.6)	(8.9)
Tangible Fixed Assets	2,436.7	2,426.3
	2,431.1	2,417.4
Debtors		
Trade	24.5	29.4
Prepayments	16.4	18.1
	40.9	47.5
Cash at Bank and In Hand	102.0	97.2
CURRENT ASSETS	143.0	144.7
Creditors: amounts falling due within one year		
Loans	(29.9)	(26.2)
Trade Creditors	(6.7)	(6.4)
Other Creditors	(23.1)	(21.6)
Corporation Tax	(6.1)	(4.0)
Social Security and Other Taxes	(6.9)	(9.7)
Accruals and Deferred Income	(38.5)	(40.2)
	(111.2)	(108.1)
NET CURRENT ASSETS	31.8	36.6
TOTAL ASSETS LESS CURRENT LIABILITIES	2,462.7	2,454.0
Creditors: amounts falling due after more than one year		
Loans	(1,713.0)	(1,742.8)
Accruals and Deferred Income	(2.9)	(2.9)
	(1,715.9)	(1,745.7)
Provisions for Liabilities and Charges	(73.1)	(72.5)
Amounts due from Group Undertakings	339.4	336.5
NET ASSETS	1,013.2	972.3
Capital and Reserves		
Share Capital	-	-
Share Premium	2,963.3	2,963.3
Capital Reserve	33.0	33.8
Intercompany Funding ¹	(2,987.9)	(2,987.9)
Revaluation Reserve	287.7	289.6
Subordinated Loan Funding	675.9	643.6
Profit and Loss Reserves	32.9	17.2
Profit / (Loss) for the period	8.3	12.7
TOTAL SHAREHOLDERS' FUNDS	1,013.2	972.3

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

² The figures above do not reflect the year end adjustment for the revaluation of fixed assets at August 2006. This will be reflected in the Q1 2006/07 report.



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CONSOLIDATED CASH FLOW

	<u>Quarter 4</u> 12 weeks to 19 August 2006 <u>£m</u>	<u>YTD</u> 52 weeks to 19 August 2006 <u>£m</u>
Operating profit	54.1	237.8
Depreciation and amortisation	3.0	7.9
Cash flows on exceptional items	(0.2)	(1.5)
Decrease in working capital	16.8	4.1
Net Cash Inflow From Operating Activities	73.7	248.3
Returns on Investment and Servicing of Finance		
Interest paid	(31.7)	(128.3)
Interest received	1.4	4.7
	(30.3)	(123.6)
Taxation Payments	-	-
Capital Expenditure and Financial Investment		
Payments to acquire new pubs	(43.3)	(43.3)
Investment spend on fixed assets	(12.6)	(46.7)
Receipt from sale of fixed assets	4.2	71.4
	(51.7)	(18.6)
Net Cash Inflow Before Financing	(8.3)	106.1
Financing		
Loan repaid	(7.8)	(28.6)
Amounts paid to other group undertakings	(1.6)	(72.8)
	(9.4)	(101.4)
NET (DECREASE)/INCREASE IN CASH	(17.7)	4.7



**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 19 August 2006 was 1.62 :1
- (b) for the purposes of calculating the above, the following values were relevant for the Financial Quarter just ended:

	<u>Relevant Period</u> 24 weeks to 19 August 2006
Debt Service (£m)	70.7
Interest Charges (£m)	59.1
EBITDA (£m)	114.2

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

Outlet EBITDA	£63.5m																					
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">55.6</td> <td align="center">33.3</td> </tr> <tr> <td>Controlled Cash A/c</td> <td align="center">20.7</td> <td align="center">20.8</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">57.1</td> <td align="center">48.8</td> </tr> <tr> <td>Payments A/c</td> <td align="center">(8.9)</td> <td align="center">(0.8)</td> </tr> </tbody> </table>		Average Balance (£m)	Final Balance (£m)	Acquisition Reserve A/c	0.1	0.1	Disposal Proceeds A/c	55.6	33.3	Controlled Cash A/c	20.7	20.8	Stamp Duty Reserve A/c	-	-	Collections A/c	57.1	48.8	Payments A/c	(8.9)	(0.8)
	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	57.1	48.8																				
Payments A/c	(8.9)	(0.8)																				
CapEx Amounts expended	£12.6m for the quarter (Minimum Maintenance CapEx Amount required of £4.4m per annum)																					
Number of Punch Taverns Mortgaged Properties disposed of or acquired	Disposals – 5 Acquisitions – 53																					
Number of Pubs in Portfolio	4,020																					
Weighted Average Return on all CapEx Amounts spent on all trading Pubs (in accordance with clause 16.8(c) of IBFA)	25.1%																					



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Free Cash Flow	£238.7m for the 52 weeks ended 19 th August 2006
Excess Cash	£88.1m for the 52 weeks ended 19 th August 2006
Restricted Payment Excess Cash	£73.0m for the 52 weeks ended 19 th August 2006
Net Worth	£673.2m at 19 th August 2006

(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: 3 October 2006

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

.....
Finance Director

.....
Director