



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

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**FINANCIAL REPORT – MARCH 2006 QUARTER**

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**This report is confidential and should not be onwardly distributed without the written authority of Punch Taverns plc**



## **PUNCH TAVERNS FINANCE**

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

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## **FINANCIAL REPORT – MARCH 2006 QUARTER**

### **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 twelve week period to 4 March 2006, which is the second 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”).

During the quarter, on 5 January 2006, Punch Taverns plc announced the completion of the acquisition of Spirit Group by another company within the Punch Taverns Group.

### **Profit Commentary**

Trading results for the 12 week period are as follows:

- **Sales**

Turnover for the 12 week period to 4 March 2006 is £98.2m, of which beer sales contribute 59.8%.

Turnover for the 12 week period per pub is 4.1% higher than the comparative quarter in the prior year.

- **Gross Profits**

The total gross profit in the 12 week period to 4 March 2006 is £64.8m which gives a gross profit margin of 66.0%.

- **Operating Margin and EBITDA**

Operating margin for the 12 week period to 4 March 2006 is 57.1% resulting in an EBITDA of £56.1m.

EBITDA per pub is 4.2% higher than the comparative quarter in the prior year.

EBITDA of £248m for the 52 weeks to 4 March 2006 compares favourably to the run rate of £237m as stated in the Offering Circular.



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**Estate Portfolio**

- 166 pub disposals were made during the quarter, for net proceeds of £53.4m, 1 pub was delicensed and the head leases expired on 2 pubs, resulting in a closing estate balance of 3,973.
- No acquisitions were made during the quarter.

	<u>Quarter 2</u> 12 weeks to 4 March 2006	<u>YTD</u> 28 weeks to 4 March 2006
<b>Number of Pubs</b>		
Opening	4,142	4,172
Acquisitions	-	-
Other <sup>1</sup>	(3)	(11)
Disposals <sup>2</sup>	<u>(166)</u>	<u>(188)</u>
<b>End of Period</b>	<b><u>3,973</u></b>	<b><u>3,973</u></b>

<sup>1</sup> In the current quarter, 1 pub was delicensed and the head leases expired on 2 pubs. In addition, 7 pubs were delicensed in Q1 2005/06 and the lease was surrendered on one pub.

<sup>2</sup> 160 pubs were disposed of as part of packages in the current quarter (75 on 14 December 2005, 64 on 9 January 2006 and 21 on 20 February 2006) in order to comply with competition guidelines following the acquisition of Spirit Group and as part of the ongoing churn of the estate to improve the overall quality. 12 pubs were disposed of as part of a package in Q1 2005/06 following the acquisition of Avebury Holdings Limited by another company within the Punch Taverns group.

**Investment in Assets**

	<u>Quarter 2</u> 12 weeks to 4 March 2006 <u>£m</u>	<u>YTD</u> 28 weeks to 4 March 2006 <u>£m</u>
Payments to acquire new pubs	-	-
Spend on existing pubs	8.3	20.6
Spend on other assets	<u>0.6</u>	<u>1.3</u>
<b>Total Spend on Estate</b>	<b><u>8.9</u></b>	<b><u>21.9</u></b>
<b>Disposal Proceeds<sup>1</sup></b>	<b><u>53.4</u></b>	<b><u>62.6</u></b>

<sup>1</sup> Year to date disposal proceeds includes £0.2m relating to a pub disposed of in Q4 of 2004/05 and £1.1m from the disposal of an unlicensed property.



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**Debt Service Cover Ratio (DSCR)**

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

	<u>Quarter 2</u>	<u>Rolling 2</u>
	12 weeks to	28 weeks to
	4 March	4 March
	2006	2006
	<u>£m</u>	<u>£m</u>
<b>EBITDA</b>	<u>56.1</u>	<u>131.5</u>
Interest Payable	29.7	69.1
Interest Receivable	(1.1)	(2.3)
Capital Repayments <sup>1</sup>	6.1	13.3
	<u>34.7</u>	<u>80.1</u>
<b>Debt Service Cover Ratio</b>	<b>1.62</b>	<b>1.64</b>

<sup>1</sup> Calculated on a forward accruals basis.

**Interest and Capital Payments**

	<u>Quarter 2</u>	<u>YTD</u>
	12 weeks to	28 weeks to
	4 March	4 March
	2006	2006
	<u>£m</u>	<u>£m</u>
<b>Interest Payments</b>		
A1	4.9	9.8
A2	5.1	10.3
A3	1.3	2.7
B1	2.6	5.2
B2	3.2	6.4
C	3.5	7.0
M1	2.9	5.9
M2	5.7	11.7
Swap costs	2.1	4.2
Other	0.9	1.6
	<u>32.2</u>	<u>64.8</u>
<b>Capital Repayment</b>		
A3	<u>7.2</u>	<u>13.0</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>20 August 2005</u>
	<u>£m</u>
Excess Cash	92.2
Less: Capex payments funded from above	(21.8)
<b>Available Excess Cash Amount</b>	<u><u>70.4</u></u>
Restricted Payment Excess Cash	77.4
Tax due on the accrual of interest on the Borrower Subordinated Loans	27.2
	<u>104.6</u>
Less: Restriction to ensure total does not exceed Available Excess Cash Amount	(34.2)
	<u><u>70.4</u></u>
<b>Utilisation to Date</b>	
Q1 2005/06 – Repayment of Borrower Subordinated Loan Accrued Interest	<u><u>50.0</u></u>



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**PROFIT AND LOSS ACCOUNT**

	<u>Quarter 2</u> 12 weeks to 4 March 2006 <u>£m</u>	<u>YTD</u> 28 weeks to 4 March 2006 <u>£m</u>
<b>Turnover</b>		
Beer (net of discounts)	58.7	138.2
Rent	28.0	65.8
Machines	3.5	7.9
Other	8.0	19.3
<b>Total Turnover</b>	<u>98.2</u>	<u>231.2</u>
<b>Gross Profit</b>		
Beer	30.3	71.3
Rent	28.0	65.8
Machines	3.5	7.9
Other	3.0	7.1
<b>Total Gross Profit</b>	<u>64.8</u>	<u>152.1</u>
Operating Costs	(8.7)	(20.6)
<b>EBITDA</b>	<u>56.1</u>	<u>131.5</u>
Loss on Disposal	(4.5)	(3.4)
Depreciation and Amortisation	(1.4)	(3.2)
Exceptional Costs <sup>1</sup>	(0.6)	(1.1)
Cash Interest Receivable	1.1	2.3
Cash Interest Payable	(29.7)	(69.1)
Non-Cash Interest Charge	(0.7)	(1.7)
Subordinated Loan Interest	(23.8)	(54.2)
<b>(Loss)/Profit Before Taxation</b>	<u>(3.5)</u>	<u>1.1</u>
Taxation	-	(0.9)
<b>(Loss)/Profit After Taxation</b>	<u>(3.5)</u>	<u>0.2</u>

<sup>1</sup> Exceptional costs incurred relate to licence reform costs, costs to integrate acquisitions into the Punch Taverns group and other related one-off costs.



**PUNCH TAVERNS FINANCE**  
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**CONSOLIDATED BALANCE SHEET**

	As at 4 March 2006 <u>£m</u>	As at 20 August 2005 <sup>1</sup> <u>£m</u>
<b>Fixed Assets</b>		
Goodwill	(8.5)	(8.9)
Tangible Fixed Assets	2,377.3	2,426.3
	2,368.8	2,417.4
<b>Debtors</b>		
Trade	22.7	29.4
Prepayments	18.3	18.1
Other	0.9	-
	41.9	47.5
Cash at Bank and In Hand	126.1	97.2
<b>CURRENT ASSETS</b>	168.0	144.7
<b>Creditors: amounts falling due within one year</b>		
Loans	(28.7)	(26.2)
Trade Creditors	(4.1)	(6.4)
Other Creditors	(21.7)	(21.6)
Corporation Tax	(4.8)	(4.0)
Social Security and Other Taxes	(7.0)	(9.7)
Accruals and Deferred Income	(37.3)	(40.2)
	(103.6)	(108.1)
<b>NET CURRENT ASSETS</b>	64.4	36.6
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	2,433.2	2,454.0
<b>Creditors: amounts falling due after more than one year</b>		
Loans	(1,728.6)	(1,742.8)
Accruals and Deferred Income	(2.6)	(2.9)
	(1,731.2)	(1,745.7)
Provisions for Liabilities and Charges	(71.8)	(72.5)
Amounts due from Group Undertakings	346.6	336.5
<b>NET ASSETS</b>	976.8	972.3
<b>Capital and Reserves</b>		
Share Capital	-	-
Share Premium	2,963.3	2,963.3
Capital Reserve	33.4	33.8
Intercompany Funding <sup>2</sup>	(2,987.9)	(2,987.9)
Revaluation Reserve	288.6	289.6
Subordinated Loan Funding	647.7	643.6
Profit and Loss Reserves	31.5	17.2
Profit / (Loss) for the period	0.2	12.7
<b>TOTAL SHAREHOLDERS' FUNDS</b>	976.8	972.3

<sup>1</sup> The year end balance sheet has been restated following the finalisation of the year end taxation figures. This has resulted in a decrease to net assets of £5.1m.

<sup>2</sup> 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 2</u> 12 weeks to 4 March 2006 <u>£m</u>	<u>YTD</u> 28 weeks to 4 March 2006 <u>£m</u>
Operating profit	54.7	128.3
Depreciation and amortisation	1.4	3.2
Cash flows on exceptional items	(0.6)	(1.1)
(Increase)/decrease in working capital	(1.7)	(13.6)
<b>Net Cash Inflow From Operating Activities</b>	<u>53.8</u>	<u>116.8</u>
<b>Returns on Investment and Servicing of Finance</b>		
Interest paid	(32.2)	(64.8)
Interest received	1.1	2.4
	<u>(31.1)</u>	<u>(62.4)</u>
<b>Taxation Payments</b>	-	-
<b>Capital Expenditure and Financial Investment</b>		
Payments to acquire new pubs	-	-
Investment spend on fixed assets	(7.8)	(21.9)
Receipt from sale of fixed assets	53.9	62.8
	<u>46.1</u>	<u>40.9</u>
<b>Net Cash Inflow Before Financing</b>	<u>68.8</u>	<u>95.3</u>
<b>Financing</b>		
Loan repaid	(7.2)	(13.0)
Amounts paid to other group undertakings	(1.7)	(53.4)
	<u>(8.9)</u>	<u>(66.4)</u>
<b>NET INCREASE IN CASH</b>	<u>59.9</u>	<u>28.9</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 4 March 2006 was 1.64 :1
- (b) for the purposes of calculating the above, the following values were relevant for the Financial Quarter just ended:

	<u>Relevant Period</u> 28 weeks to 4 March 2006
Debt Service (£m)	80.1
Interest Charges (£m)	69.1
EBITDA (£m)	131.5

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

Outlet EBITDA	£62.0m																					
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">50.7</td> <td align="center">67.0</td> </tr> <tr> <td>Controlled Cash A/c</td> <td align="center">20.3</td> <td align="center">20.4</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">43.7</td> <td align="center">43.0</td> </tr> <tr> <td>Payments A/c</td> <td align="center">(4.1)</td> <td align="center">(4.2)</td> </tr> </tbody> </table>		Average Balance (£m)	Final Balance (£m)	Acquisition Reserve A/c	0.1	0.1	Disposal Proceeds A/c	50.7	67.0	Controlled Cash A/c	20.3	20.4	Stamp Duty Reserve A/c	-	-	Collections A/c	43.7	43.0	Payments A/c	(4.1)	(4.2)
	Average Balance (£m)	Final Balance (£m)																				
Acquisition Reserve A/c	0.1	0.1																				
Disposal Proceeds A/c	50.7	67.0																				
Controlled Cash A/c	20.3	20.4																				
Stamp Duty Reserve A/c	-	-																				
Collections A/c	43.7	43.0																				
Payments A/c	(4.1)	(4.2)																				
CapEx Amounts expended	£8.3m for the quarter (Minimum Maintenance CapEx Amount required of £4.4m per annum)																					
Number of Punch Taverns Mortgaged Properties disposed of or acquired	Disposals - 166																					
Number of Pubs in Portfolio	3,973																					
Weighted Average Return on all CapEx Amounts spent on all trading Pubs	25.0%																					



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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: 18 April 2006

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

.....  
Finance Director

.....  
Director