



**PUNCH TAVERNS FINANCE B  
PUNCH TAVERNS (PMH) LIMITED AND SUBSIDIARY COMPANIES**

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**FINANCIAL REPORT – MAY 2006 QUARTER**

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## **PUNCH TAVERNS FINANCE B PUNCH TAVERNS (PMH) LIMITED AND SUBSIDIARY COMPANIES**

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### **FINANCIAL REPORT – MAY 2006 QUARTER**

#### **Introduction**

The financial reporting period for Punch Taverns (PMH) Limited and its subsidiaries (“The Securitised Group”) is determined by reference to the closing date of 1 August 2005. This report covers the 12 week period to 27 May 2006, which is the third 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”).

#### **Profit Commentary**

Trading results for the 12 week period were as follows:

- **Sales**

Turnover for the 12 week period to 27 May 2006 was £67.7m, of which beer sales contributed 62.3%.

Rental income for the 12 week period per pub was 3.5% higher than the comparable quarter in the previous year.

- **Gross profits**

The total gross profit in the 12 week period to 27 May 2006 was £41.5m which gave a gross profit margin of 61.4%.

- **Operating Margin and EBITDA**

Operating margin for the 12 week period to 27 May 2006 was 51.7% resulting in an EBITDA for the period of £35.0m.



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**Estate Portfolio**

- No acquisitions or disposals were made during the quarter although the head lease expired on one pub.

	<u>Quarter 3</u> 12 weeks to 27 May 2006 <u>No</u>	<u>YTD</u> 40 weeks to 27 May 2006 <u>No</u>
<b>Number of Pubs</b>		
Opening	3,017	3,176
Acquisitions	-	-
Other <sup>2</sup>	(1)	(2)
Disposals <sup>3</sup>	-	(158)
	<u>3,016</u>	<u>3,016</u>

<sup>1</sup> During the quarter the head lease expired on one pub. In Q1 2005/06 the head lease expired on one pub, one pub was delicensed and a previously unlicensed property was licensed.

<sup>2</sup> 133 pubs were disposed of as part of packages in Q2 2005/06 (4 on 14 December 2005, 117 on 9 January 2006 and 12 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. 23 pubs were disposed of as part of a package in Q1 2005/06 following the acquisition of Avebury Holdings Limited by another company in the Punch Taverns group.

**Investment in Pub Estate**

	<u>Quarter 3</u> 12 weeks to 27 May 2006 <u>£000</u>	<u>YTD</u> 40 weeks to 27 May 2006 <u>£000</u>
Payments to acquire new pubs	-	-
Spend on existing pubs <sup>1</sup>	9.3	30.2
<b>Total Spend on Estate</b>	<u>9.3</u>	<u>30.2</u>
<b>Disposal Proceeds</b>	<u>-</u>	<u>65.2</u>

<sup>1</sup> Spend in Q1 2005/06 included £0.4m of costs associated with purchasing the tenant's leasehold interest of a freehold pub already owned, £0.5m to purchase the freehold of a leasehold pub and £0.3m to purchase a property adjoining a pub.

Average return on investments for the quarter, relating to projects carried out over the past 24 months, has been 27.1%.



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**Debt Service Cover Ratio (DSCR)**

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

	<u>Quarter 3</u>	<u>Rolling 2</u> <u>Quarters</u>	<u>YTD</u>
	12 weeks to 27 May 2006	24 weeks to 27 May 2006	40 weeks to 27 May 2006
	<u>£m</u>	<u>£m</u>	<u>£m</u>
<b>EBITDA</b>	<b>35.0</b>	<b>70.1</b>	<b>117.9</b>
Interest Payable	18.0	35.9	60.7
Interest Receivable	(1.0)	(1.9)	(3.3)
Capital Repayments <sup>1</sup>	-	-	-
	<b>17.0</b>	<b>34.0</b>	<b>57.4</b>
<b>Debt Service Cover Ratio</b>	<b>2.06</b>	<b>2.06</b>	<b>2.05</b>

<sup>1</sup> Capital repayments to commence in December 2009

**Interest and Capital Payments**

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

	<u>Quarter 3</u>	<u>YTD</u>
	12 weeks to 27 May 2006	40 weeks to 27 May 2006
	<u>£m</u>	<u>£m</u>
<b>Interest Payments</b>		
A3	3.7	11.1
A6	3.3	9.9
A7	3.0	8.0
A8	3.0	8.0
B1	1.6	4.8
B2	2.2	6.6
C	1.8	4.8
Swap costs	0.3	1.0
Other	0.3	0.7
	<b>19.2</b>	<b>54.9</b>

Capital repayments do not commence until December 2009.



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**Restricted Payments**

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

	<u>Relevant Period</u> <u>31 weeks<sup>1</sup> ending</u> <u>4 March 2006</u> <u>£m</u>
Restricted payment excess cash	31.8
Less: Capex required to be funded from above	(11.2)
Plus: Tax due on the accrual of interest on the Borrower subordinated loans	4.9
<b>Total Permitted Restricted Payment</b>	<hr/> <b>25.5</b> <hr/>

<sup>1</sup> 31 weeks from the fourth closing date of 1 August 2005

**Utilisation to date**

Q3 2005/06 - Repayment of Borrower subordinated loan accrued interest	22.8
- Payment of interim dividend to parent company	2.7
	<hr/> <b>25.5</b> <hr/>



**PUNCH TAVERNS FINANCE B**  
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**PROFIT AND LOSS ACCOUNT**

	<u>Quarter 3</u> 12 weeks to 27 May 2006 £m	<u>YTD</u> 40 weeks to 27 May 2006 £m
<b>Turnover</b>		
Beer (net of discounts)	42.2	139.4
Rent	16.1	54.7
Machines	2.8	9.4
Other	6.6	21.5
<b>Total Turnover</b>	<b>67.7</b>	<b>225.0</b>
<b>Gross Profit</b>		
Beer	20.5	68.0
Rent	16.1	54.7
Machines	2.8	9.4
Other	2.1	7.2
<b>Total Gross Profit</b>	<b>41.5</b>	<b>139.3</b>
Operating Costs	(6.5)	(21.4)
<b>EBITDA</b>	<b>35.0</b>	<b>117.9</b>
Profit/(Loss) on Disposal	1.6	(1.8)
Depreciation and Amortisation	(0.7)	(2.5)
Exceptional items <sup>1,2</sup>	(0.3)	(1.4)
Cash Interest Receivable	1.0	3.3
Cash Interest Payable	(18.0)	(60.7)
Non-Cash Interest Charge <sup>2</sup>	(0.1)	(0.3)
Subordinated Loan Interest	(6.7)	(21.4)
<b>Profit Before Taxation</b>	<b>11.8</b>	<b>33.1</b>
Taxation	(2.0)	(6.3)
<b>Profit After Taxation</b>	<b>9.8</b>	<b>26.8</b>
Interim dividend paid	(2.7)	(2.7)
<b>Profit for the Period</b>	<b>7.1</b>	<b>24.1</b>

<sup>1</sup> Exceptional items incurred relate to licence reform costs and other related one-off costs.

<sup>2</sup> £0.5m relating to the amortisation of a swap premium has been reclassified in the YTD numbers from exceptional items to non-cash interest charge.



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

	<u>Quarter 3</u> As at 27 May 2006 <u>£m</u>	<u>2004/05</u> As at 20 August 2005 <u>£m</u>
<b>Fixed Assets</b>		
Goodwill	(18.8)	(19.6)
Tangible Fixed Assets	1,590.4	1,631.6
	1,571.6	1,612.0
<b>Debtors</b>		
Trade	20.9	17.5
Prepayments	8.9	8.6
	29.8	26.1
Cash at Bank and In Hand	81.7	199.7
<b>CURRENT ASSETS</b>	111.5	225.8
<b>Creditors: amounts falling due within one year</b>		
Loans	-	(169.4)
Trade Creditors	(12.6)	(22.3)
Other Creditors	(10.6)	(9.9)
Corporation Tax	(5.5)	(0.1)
Social Security and Other Taxes	(3.5)	(2.0)
Accruals and Deferred Income	(26.1)	(26.8)
	(58.3)	(230.5)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	53.2	(4.7)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	1,624.8	1,607.3
<b>Creditors: amounts falling due after more than one year</b>		
Loans	(1,232.4)	(1,231.3)
	392.4	376.0
Provisions for Liability and Charges	(17.5)	(17.7)
Amounts due from Group Undertakings	226.9	220.8
<b>NET ASSETS</b>	<b>601.8</b>	<b>579.1</b>
<b>Capital and Reserves</b>		
Share Capital	84.0	84.0
Revaluation Reserve	327.9	336.7
Other Capital Reserves	7.6	7.6
Subordinated Loan Funding	177.6	179.0
Profit and Loss Reserves	(19.4)	(31.6)
Profit for the period	24.1	3.4
<b>TOTAL SHAREHOLDERS' FUNDS</b>	<b>601.8</b>	<b>579.1</b>



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**CONSOLIDATED CASH FLOW**

	<u>Quarter 3</u> 12 weeks to 27 May 2006 £m	<u>YTD</u> 40 weeks to 27 May 2006 £m
Operating profit	34.3	115.2
Depreciation and amortisation	0.7	2.6
Cash flows from exceptional items	(0.3)	(1.3)
(Increase)/decrease in working capital	(2.0)	(18.8)
<b>Net Cash Inflow From Operating Activities</b>	<u>32.7</u>	<u>97.7</u>
<b>Returns on Investment and Servicing of Finance</b>		
Interest paid	(19.2)	(57.7)
Interest received	0.8	3.4
	<u>(18.4)</u>	<u>(54.3)</u>
<b>Taxation Payments</b>	<u>(0.1)</u>	<u>(1.1)</u>
<b>Capital Expenditure and Financial Investment</b>		
Payments to acquire new pubs	-	-
Investment spend on fixed assets	(9.8)	(30.8)
Receipt from sale of fixed assets	0.2	65.3
	<u>(9.6)</u>	<u>34.5</u>
<b>Net Cash Inflow Before Financing</b>	<u>4.6</u>	<u>76.8</u>
<b>Financing</b>		
Loan repaid <sup>1</sup>	-	(169.3)
Amounts paid to other group undertakings	(25.5)	(25.5)
<b>DECREASE IN CASH</b>	<u>(20.9)</u>	<u>(118.0)</u>

<sup>1</sup> Redemption of FRNs on 30 September 2005 relating to the old financing structure financed by funds held on escrow at 20 August 2005.



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**FINANCIAL RATIO COMPLIANCE CERTIFICATE**

To: Deutsche Trustee Company Limited

1. We, Robert McDonald and Neil Preston each being a director of Punch Taverns (PML) Limited hereby certify without incurring any personal liability for the same, that for the Financial Quarter just ended:

- (a) that the financial covenants for the undertakings in Clause 15 of the Issuer/Borrower Facility Agreement have been observed;
- (b) the Debt Service Cover Ratio for the two quarters ending on 27 May 2006 is 2.06 : 1;
- (c) the FCF Ratio for the two quarters ending on 27 May 2006 is 1.95 :1;
- (d) the Peak Debt Service Ratio is not required to be tested until the quarter ended 19 August 2006;
- (e) the Net Worth of the New Securitisation Group calculated in accordance with Clause 15.3 of the Issuer/Borrower Facility Agreement for the Financial Quarter ending on 27 May 2006 was £424.2m;
- (f) for the purposes of calculating the ratios, above, the following values were relevant for the Financial Quarter just ended:

DSCR (for four Financial Quarters):	There is no requirement to test this covenant until the quarter ended 19 August 2006
DSCR (for two Financial Quarters):	2.06 : 1
EBITDA:	£35.0m
Look Back EBITDA	There is no requirement to test this covenant until the last quarter ending prior to June 2022
Debt Service:	£17.0m
Expected Class A Debt Service	There is no requirement to test this covenant until the quarter commencing in August 2028
Interest Charges:	£18.0m



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

Free Cash Flow £32.9m  
Outlet EBITDA £39.3m

The average and final balance of each of the New Securitisation Group Entity Accounts :  
Operating / Collections Accounts  
Disposal Proceeds Account

Average Balances (£m)	Final Balance (£m)
41.5	27.3
65.4	45.8

Minimum Maintenance CapEx Amount £1.6m per semi-annual period

CapEx Amounts expended £9.3m for the quarter

Number of Punch Taverns B Mortgaged Properties disposed of or acquired Disposed - none

Number of Pubs in Portfolio 3,016

Weighted Average Return on all CapEx Amounts spent on all trading Pubs during the 24 months 27.1%

Excess Cash Not required to be tested this quarter

(h) 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 Borrower Security Trustee) has occurred;

Terms used in this Financial Ratio Compliance Certificate that are not defined herein shall have the meaning given to them in the Master Definitions and Construction Agreement dated 1 August 2005.

Dated: 11 July 2006

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

.....  
Finance Director

.....  
Director