



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

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**FINANCIAL REPORT – DECEMBER 2006 QUARTER**

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**FINANCIAL REPORT – DECEMBER 2006 QUARTER**

**Introduction**

This report covers the 16 week period to 9 December 2006, which is the first 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").

**Profit Commentary**

Trading results for the 16 week period were as follows:

- **Sales**

Turnover for the 16 week period to 9 December 2006 was £89.3m, of which rent contributed 25.4%, up from 24.6% in Q1 2005/06.

- **Gross profits**

The total gross profit in the 16 week period to 9 December 2006 was £56.9m, which gave a gross profit margin of 63.7% compared to a total gross profit of £56.3m in Q1 2005/06 (margin of 62.0%).

- **Operating Margin and EBITDA**

Operating margin for the 16 week period to 9 December 2006 was 54.0% resulting in an EBITDA of £48.2m. This compares to an operating margin of 52.6% and EBITDA of £47.8m in Q1 2005/06. EBITDA has therefore been maintained despite there being 4% fewer pubs.

The EBITDA run rate has been increased to £154.7m as compared to £154.2m in the prior quarter.



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**Estate Portfolio**

- 1 pub disposal was made during the quarter, for net proceeds of £0.3m, resulting in a closing estate of 3,036.

	<u>Quarter 1</u> 16 weeks to 9 December 2006 <u>No</u>	<u>2005/06</u> 52 weeks to 19 August 2006 <u>No</u>
<b>Number of Pubs</b>		
Opening	3,037	3,176
Acquisitions	-	25
Other <sup>1</sup>	-	(2)
Disposals	(1)	(162)
	<u>3,036</u>	<u>3,037</u>

<sup>1</sup> During the prior year, the head leases expired on two pubs, one pub was delicensed and a previously unlicensed property was licensed.

**Investment in Pub Estate**

	<u>Quarter 1</u> 16 weeks to 9 December 2006 <u>£000</u>	<u>2005/06</u> 52 weeks to 19 August 2006 <u>£000</u>
Payments to acquire new pubs	-	31.3
Spend on existing pubs	14.6	42.5
<b>Total Spend on Estate</b>	<u>14.6</u>	<u>73.8</u>
<b>Disposal Proceeds<sup>1</sup></b>	<u>0.7</u>	<u>67.5</u>

<sup>1</sup> In the quarter, £0.4m of the disposal proceeds relates to land and other fixed asset disposals.



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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> 16 weeks to 9 December 2006	<u>Rolling 2 Quarters</u> 28 weeks to 9 December 2006 <u>£m</u>	<u>Rolling 4 Quarters</u> 52 weeks to 9 December 2006 <u>£m</u>
<b>EBITDA</b>	<b>48.2</b>	<b>84.6</b>	<b>154.7</b>
Interest Payable	23.7	41.5	77.5
Interest Receivable	(1.3)	(2.1)	(4.0)
Capital Repayments <sup>1</sup>	-	-	-
	<b>22.4</b>	<b>39.4</b>	<b>73.5</b>
<b>Debt Service Cover Ratio</b>	<b>2.15</b>	<b>2.15</b>	<b>2.11</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 1</u> 16 weeks to 9 December 2006 <u>£m</u>	<u>2005/06</u> 52 weeks to 19 August 2006 <u>£m</u>
<b>Interest Payments</b>		
A3	3.7	14.8
A6	3.3	13.2
A7	3.0	11.0
A8	3.1	11.1
B1	1.6	6.4
B2	2.2	8.8
C	1.8	6.6
Swap costs	0.2	1.3
Other	0.4	1.1
	<b>19.3</b>	<b>74.3</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>24 weeks ending</u> <u>19 August 2006</u> <u>£m</u>
Free Cash Flow	69.0
Less: Debt Service	(34.1)
Less: current period restriction of R(FCF) to 1.3: 1	(10.2)
Plus: prior period restriction of unapplied excess cash (A-B)	7.2
Excess Cash	<hr/> 31.9
Capex in relevant period	(21.6)
Add: capex funded from DPA	11.6
Capex required to be funded from excess cash	<hr/> (10.0)
<b>Available Excess Cash:</b>	
<b>Total Permitted Restricted Payment</b>	<hr/> <b>21.9</b> <hr/>

**Utilisation to date:**

<u>Q1 2006/07</u>	
Repayment of Borrower subordinated loan accrued interest	12.7
Payment of interim dividend to parent company	9.2
	<hr/> <b>21.9</b> <hr/>



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

	<u>Quarter 1</u> <u>16 weeks to</u> <u>9 December</u> <u>2006</u> <u>£m</u>	<u>Prior year</u> <u>52 weeks to</u> <u>19 August</u> <u>2006<sup>1</sup></u> <u>£m</u>
<b>Turnover</b>		
Beer (net of discounts)	53.8	181.5
Rent	22.6	71.4
Machines	3.5	12.0
Other	9.4	29.3
<b>Total Turnover</b>	<b>89.3</b>	<b>294.2</b>
<b>Gross Profit</b>		
Beer	27.6	88.6
Rent	22.6	71.4
Machines	3.5	12.0
Other	3.2	9.8
<b>Total Gross Profit</b>	<b>56.9</b>	<b>181.8</b>
Operating Costs	(8.7)	(27.6)
<b>EBITDA</b>	<b>48.2</b>	<b>154.2</b>
Profit/(Loss) on Disposal	0.3	(1.6)
Depreciation and Amortisation	(1.2)	(3.4)
Exceptional items <sup>2</sup>	(0.2)	(0.9)
Cash Interest Receivable	1.3	4.1
Cash Interest Payable	(23.7)	(78.6)
Non-Cash Interest Charge	(0.1)	(0.3)
Subordinated Loan Interest	(8.2)	(27.6)
<b>Profit Before Taxation</b>	<b>16.4</b>	<b>45.9</b>
Taxation	(4.8)	2.1
<b>Profit After Taxation</b>	<b>11.6</b>	<b>48.0</b>
Interim dividend paid	(9.2)	(2.7)
<b>Profit for the Period</b>	<b>2.4</b>	<b>45.3</b>

<sup>1</sup> The prior year figures have been restated to reflect the finalisation of the year end position, and the inclusion of taxation, and pensions which has been accounted for under FRS17 for the first time at 19 August 2006. The result of these adjustments has been an increase in profit after taxation of £11.7m.

<sup>2</sup> Exceptional items incurred relate to exceptional pension contributions, licence reform costs and other related one-off costs.



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

	<u>Quarter 1</u> As at 9 December 2006 £m	<u>2005/06</u> As at 19 August 2006 <sup>1</sup> £m
<b>Fixed Assets</b>		
Goodwill	(18.3)	(18.6)
Tangible Fixed Assets	1,664.4	1,651.7
	1,646.1	1,633.1
<b>Debtors</b>		
Trade	20.8	21.6
Prepayments	8.1	8.6
	28.9	30.2
Cash at Bank and In Hand	92.9	83.6
<b>CURRENT ASSETS</b>	121.8	113.8
<b>Creditors: amounts falling due within one year</b>		
Trade Creditors	(11.9)	(19.7)
Other Creditors	(11.8)	(10.9)
Corporation Tax	(8.9)	(4.0)
Social Security and Other Taxes	(2.7)	0.8
Accruals and Deferred Income	(29.4)	(25.1)
	(64.7)	(58.9)
<b>NET CURRENT ASSETS</b>	57.1	54.9
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	1,703.2	1,688.0
<b>Creditors: amounts falling due after more than one year</b>		
Loans	(1,233.1)	(1,232.7)
	470.1	455.3
Provisions for Liability and Charges	(16.6)	(16.7)
Amounts due from Group Undertakings	187.8	204.8
<b>NET ASSETS</b>	641.3	643.4
<b>Capital and Reserves</b>		
Share Capital	84.0	84.0
Revaluation Reserve	349.8	349.8
Other Capital Reserves	7.6	7.6
Subordinated Loan Funding	179.3	183.8
Profit and Loss Reserves	18.2	(27.1)
Profit for the period	2.4	45.3
<b>TOTAL SHAREHOLDERS' FUNDS</b>	641.3	643.4

<sup>1</sup> The prior year figures have been restated to reflect the finalisation of the year end position, the revaluation of fixed assets and the inclusion of taxation, and pensions which have been accounted for under FRS17 for the first time at 19 August 2006. The result of these adjustments has been an increase in net assets of £25.9m.



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**CONSOLIDATED CASH FLOW**

	<b>Quarter 1</b> <b>16 weeks to</b> <b>9 December</b> <b>2006</b> <b>£m</b>	<b>2005/06</b> <b>52 weeks to</b> <b>19 August</b> <b>2006</b> <b>£m</b>
Operating profit	47.0	150.8
Depreciation and amortisation	1.2	3.4
Cash flows from exceptional items	(0.2)	(0.9)
(Increase)/decrease in working capital	14.9	5.6
<b>Net Cash Inflow From Operating Activities</b>	<b>62.9</b>	<b>158.9</b>
<b>Returns on Investment and Servicing of Finance</b>		
Interest paid	(19.3)	(77.1)
Interest received	1.4	4.3
	<b>(17.9)</b>	<b>(72.8)</b>
<b>Taxation Receipts/(Payments)</b>	<b>0.1</b>	<b>(1.1)</b>
<b>Capital Expenditure and Financial Investment</b>		
Payments to acquire new pubs	-	(31.3)
Investment spend on fixed assets	(14.6)	(42.6)
Receipt from sale of fixed assets	0.7	67.5
	<b>(13.9)</b>	<b>(6.4)</b>
<b>Net Cash Inflow Before Financing</b>	<b>31.2</b>	<b>78.6</b>
<b>Financing</b>		
Loan repaid <sup>1</sup>	-	(169.3)
Amounts paid to other group undertakings	(21.9)	(25.5)
<b>INCREASE/(DECREASE) IN CASH</b>	<b>9.3</b>	<b>(116.2)</b>

<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:
  - i) for the period of four Financial Quarters ending on 9 December 2006 is 2.11 : 1;
  - ii) for the period of two Financial Quarters ending on 9 December 2006 is 2.15 : 1.
- (c) the FCF Ratio:
  - i) for the period of four Financial Quarters ending on 9 December 2006 is 1.96 : 1;
  - ii) for the period of two Financial Quarters ending on 9 December 2006 is 1.97 : 1.
- (d) the Peak Debt Service Ratio is not required to be tested until the quarter ended 18 August 2007;
- (e) the Net Worth of the New Securitisation Group calculated in accordance with Clause 15.3 of the Issuer/Borrower Facility Agreement does not need to be tested until the Financial Quarter ending on 18 August 2007;
- (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):	2.11 : 1
DSCR (for two Financial Quarters):	2.15 : 1
EBITDA:	£48.2m
Look Back EBITDA	There is no requirement to test this covenant until the last quarter ending prior to June 2022
Debt Service:	£22.4m
Expected Class A Debt Service	There is no requirement to test this covenant until the quarter commencing in August 2028
Interest Charges:	£23.7m



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

Free Cash Flow £43.3m  
Outlet EBITDA £53.5m

The average and final balance of each of the New Securitisation Group Entity Accounts:

	Average Balances (£m)	Final Balance (£m)
Operating / Collections Accounts	66.8	73.0
Disposal Proceeds Account	24.8	20.1

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

CapEx Amounts expended £14.6m

Number of Punch Taverns B Mortgaged Properties disposed of or acquired Disposed – 1  
Acquired – nil

Number of Pubs in Portfolio 3,036

Weighted Average Return on all CapEx Amounts spent on all trading Pubs from close (in accordance with clause 16.8(a) of IBFA) 17.2%

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: 23 January 2007

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

.....  
Finance Director

.....  
Director