



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

FINANCIAL REPORT – QUARTER 2 (MARCH 2008)

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FINANCIAL REPORT – QUARTER 2 (MARCH 2008)

Introduction

This report covers the 12 week period to 1 March 2008, which is the second 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").

Profit Commentary

Trading results for the 12 week period were as follows:

- **Sales**

Turnover for the 12 week period to 1 March 2008 was £62.2m, of which rent contributed 28.8% up from 25.9% in Q2 2006/07.

- **Gross profits**

The total gross profit in the 12 week period to 1 March 2008 was £41.0m, which gave a gross profit margin of 65.9%. Total gross profit per pub for the 12 week period to 1 March 2008 was £14,900, up from £14,600 at the same point in 2006/07.

- **Operating Margin and EBITDA**

Operating margin for the 12 week period to 1 March 2008 was 56.2% resulting in an EBITDA of £34.9m.

EBITDA per pub for the rolling 4 quarters is £58,100, up from £52,200 at the same point in 2006/07.

EBITDA in total for the 52 week period to 1 March 2008 was £162.0m. This compares favourably to the run rate of £157.0m, as stated in the Offering Circular.



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Estate Portfolio

- No pubs were acquired or disposed during the quarter.

	Quarter 2 12 weeks to 1 March 2008 No	YTD 28 weeks to 1 March 2008 No
Number of Pubs		
Opening	2,752	2,754
Acquisitions	-	-
Other	-	-
Disposals	-	(2)
	2,752	2,752

Investment in Pub Estate

	Quarter 2 12 weeks to 1 March 2008 £m	YTD 28 weeks to 1 March 2008 £m
Payments to acquire new pubs	-	-
Spend on existing pubs	4.6	14.9
Total Spend on Estate	4.6	14.9
Disposal Proceeds¹	0.4	0.8

¹ The proceeds in the current period include £0.4m (Year to date: £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 2</u> 12 weeks to 1 March 2008 £m	<u>Rolling 2 Quarters</u> 28 weeks to 1 March 2008 £m	<u>Rolling 4 Quarters</u> 52 weeks to 1 March 2008 £m
EBITDA	34.9	84.5	162.0
Interest Payable	18.0	41.7	77.5
Interest Receivable	(1.0)	(2.2)	(3.9)
Capital Repayments ¹	-	-	-
	17.0	39.5	73.6
Debt Service Cover Ratio	2.05 : 1	2.14 : 1	2.20 : 1

¹ Capital repayments to commence in December 2009

Interest and Capital Payments

	<u>Quarter 2</u> 12 weeks to 1 March 2008 £m	<u>YTD</u> 28 weeks to 1 March 2008 £m
Interest Payments		
A3	3.7	7.4
A6	3.3	6.6
A7	3.0	6.0
A8	4.2	8.1
B1	1.6	3.2
B2	2.2	4.4
C	2.4	4.6
Swap costs / (receipts)	(1.3)	(2.2)
Other	0.3	0.6
	19.4	38.7

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 second half of the financial year in accordance with the Permitted Restricted Payment terms (Clause 16.4(b) of IBFA):

	<u>Relevant Period</u> <u>28 weeks ending</u> <u>1 March 2008</u> <u>£m</u>
Free Cash Flow	83.1
Less: Debt Service	(39.5)
Less: current period restriction of R(FCF) to 1.3: 1	(11.9)
Plus: prior period restriction of unapplied excess cash (A-B)	10.2
Excess Cash	<hr/> 41.9
Capex in relevant period	(14.9)
Add: capex funded from DPA	1.8
Capex required to be funded from excess cash	<hr/> (13.1)
Available Excess Cash:	
Total Permitted Restricted Payment	<hr/> <hr/> 28.8



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PROFIT AND LOSS ACCOUNT

	<u>Quarter 2</u> 12 weeks to 1 March 2008 £m	<u>YTD</u> 28 weeks to 1 March 2008 £m
Turnover		
Beer (net of discounts)	35.7	85.5
Rent	17.9	42.1
Machines	2.5	5.7
Other	6.1	15.3
Total Turnover	62.2	148.6
Gross Profit		
Beer	18.2	44.1
Rent	17.9	42.1
Machines	2.5	5.7
Other	2.4	6.2
Total Gross Profit	41.0	98.1
Operating Costs	(6.1)	(13.6)
EBITDA	34.9	84.5
Profit on Disposal	0.9	0.7
Depreciation and Amortisation	(1.1)	(2.5)
Exceptional Items ¹	(0.1)	(0.3)
Cash Interest Receivable	1.0	2.2
Cash Interest Payable	(18.0)	(41.7)
Non-Cash Interest Income	(0.9)	(1.0)
Subordinated Loan Interest	(6.3)	(14.5)
Profit Before Taxation	10.4	27.4
Taxation	(2.6)	(7.8)
Profit After Taxation	7.8	19.6
Interim Dividend Paid	-	(9.5)
Profit for the Period	7.8	10.1

¹ Exceptional items incurred relate to costs incurred on reorganisation of field and central support teams.



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CONSOLIDATED BALANCE SHEET

	<u>Quarter 2</u> As at 1 March 2008 £m	<u>2006/07</u> As at 18 August 2007 ¹ £m
Fixed Assets		
Investments	1.1	1.1
Goodwill	(17.1)	(17.6)
Tangible Fixed Assets	1,710.2	1,699.9
	1,694.2	1,683.4
Debtors		
Trade	17.6	22.3
Prepayments	4.5	5.9
	22.1	28.2
Derivative Financial Instrument	-	11.8
Cash at Bank and In Hand	67.8	69.6
CURRENT ASSETS	89.9	109.6
Creditors: amounts falling due within one year		
Trade Creditors	(0.9)	(4.9)
Other Creditors	(12.9)	(14.4)
Corporation Tax	(0.1)	(0.1)
Social Security and Other Taxes	(4.6)	(3.2)
Accruals and Deferred Income	(22.1)	(20.2)
	(40.6)	(42.8)
NET CURRENT ASSETS	49.3	66.8
TOTAL ASSETS LESS CURRENT LIABILITIES	1,743.5	1,750.2
Loans	(1,234.8)	(1,234.1)
	508.7	516.1
Provisions for Liability and Charges	(11.0)	(16.2)
Pension – Defined Benefit Liability	(2.0)	(2.7)
Derivative Financial Instrument	(5.0)	-
Amounts due from Group Undertakings	209.2	202.5
NET ASSETS	699.9	699.7
Capital and Reserves		
Share Capital	84.0	84.0
Revaluation Reserve	375.6	375.3
Other Capital Reserves	7.6	7.6
Hedge Reserve	0.1	11.8
Subordinated Loan Funding	188.6	186.5
Profit and Loss Reserves	44.0	34.5
TOTAL SHAREHOLDERS' FUNDS	699.9	699.7

¹ The prior year figures have been restated to reflect the implementation of FRS 26 'Financial Instruments: Measurement, the revaluation of fixed assets, the finalisation of the year end position and the inclusion of taxation. The impact of these adjustments is to increase net assets by £66.9m, being £13.1m FRS 26, £35.0m revaluation, £4.0m FRS17 pensions, £2.4m finalisation of year end position and £12.4m taxation.



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CONSOLIDATED CASH FLOW

	Quarter 2 12 weeks to 1 March 2008 £m	YTD 28 weeks to 1 March 2008 £m
Operating profit	33.8	82.0
Depreciation and amortisation	1.1	2.5
Cash flows from exceptional items	(1.0)	(1.2)
Increase in working capital	(1.4)	(12.6)
Net Cash Inflow From Operating Activities	32.5	70.7
Returns on Investment and Servicing of Finance		
Interest paid	(19.4)	(38.7)
Interest received	0.9	2.2
	(18.5)	(36.5)
Taxation Receipts	-	-
Capital Expenditure and Financial Investment		
Payments to acquire new pubs	-	-
Investment spend on fixed assets	(4.6)	(14.9)
Receipt from sale of fixed assets	0.4	0.8
	(4.2)	(14.1)
Equity Dividends Paid	-	(9.5)
Net Cash Inflow Before Financing	9.8	10.6
Financing		
Amounts paid to other group undertakings	-	(12.4)
INCREASE / (DECREASE) IN CASH	9.8	(1.8)



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FINANCIAL RATIO COMPLIANCE CERTIFICATE

To: Deutsche Trustee Company Limited

1. We, Phil Dutton 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 1 March 2008 is 2.20 : 1;
 - ii) for the period of two Financial Quarters ending on 1 March 2008 is 2.14 : 1.
- (c) the FCF Ratio:
 - i) for the period of four Financial Quarters ending on 1 March 2008 is 2.17 : 1;
 - ii) for the period of two Financial Quarters ending on 1 March 2008 is 2.10 : 1.
- (d) the Peak Debt Service Ratio is not required to be tested until the Financial Quarter ending on 23 August 2008.
- (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 23 August 2008.
- (f) for the purposes of calculating the ratios, above, the following values were relevant for the Financial Quarter just ended:

EBITDA:	£34.9m
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 £33.6m
Outlet EBITDA £38.0m

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

	Average Balances (£m)	Final Balance (£m)
Operating / Collections Accounts	58.5	66.3
Disposal Proceeds Account	1.3	1.4

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

CapEx Amounts expended £5.4m

Number of Punch Taverns B Mortgaged Properties disposed of or acquired Disposed - 0
Acquired - 0

Number of Pubs in Portfolio 2,752

Weighted Average Return on all CapEx Amounts spent on all trading Pubs from close (in accordance with clause 16.8(a) of IBFA) 10.9%

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: 15 April 2008

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

.....
Finance Director

.....
Director