



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

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**FINANCIAL REPORT – QUARTER 3 (MAY 2007)**

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without the written authority of Punch Taverns plc**



**PUNCH TAVERNS FINANCE**  
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## **FINANCIAL REPORT – QUARTER 3 (MAY 2007)**

### **Introduction**

This report covers the 12 week period to 26 May 2007, which is the third 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”).

### **Revised Debt Structure**

On 5 July 2007 the Punch Taverns Holdings group concluded a tap issue, the key elements of which are as follows:

- total new proceeds of £825m of which £461m will be used to redeem all existing floating rate notes;
- 239 pubs acquired from other companies within the Punch Taverns plc group, for £135m;
- £222m paid to other group companies by a combination of dividends and repayment of Intercompany loan.

The ongoing gross debt as at close of the tap issue can be summarised as follows:

| <b>Loan Notes</b>   | <b>Type</b> | <b>Rating<sup>2</sup></b> | <b>% Rate<sup>1</sup></b> | <b>Repayable</b> | <b>£m</b>      |
|---------------------|-------------|---------------------------|---------------------------|------------------|----------------|
| <b>New issuance</b> |             |                           |                           |                  |                |
| A3(N)               | FRN         | AAA/AAA/Aaa               | L + 0.13                  | Jan 2015         | 125.0          |
| M2(N)               | FRN         | AAA/AAA/Aaa               | L + 0.20                  | Oct 2028         | 400.0          |
| B3                  | FRN         | AAA/AAA/Aaa               | L + 0.24                  | Oct 2030         | 175.0          |
| D1                  | FRN         | BBB/BBB                   | L + 0.82                  | Oct 2033         | 125.0          |
| <b>Existing</b>     |             |                           |                           |                  |                |
| A1(R)               | Fixed       | AAA/AAA/Aa3               | 7.274                     | Apr 2022         | 270.0          |
| A2(R)               | Fixed       | AAA/AAA/Aaa               | 6.820                     | Jul 2020         | 300.0          |
| M1                  | Fixed       | AA/A/A1                   | 5.883                     | Jul 2014         | 200.0          |
| B1                  | Fixed       | BBB+/BBB+/Baa1            | 7.567                     | Apr 2022         | 140.0          |
| B2                  | Fixed       | BBB+/BBB+/Baa1            | 8.374                     | Jul 2029         | 150.0          |
| C(R)                | Fixed       | BBB/BBB+/Baa3             | 6.468                     | Apr 2033         | 215.0          |
| <b>Total</b>        |             |                           |                           |                  | <b>2,100.0</b> |

<sup>1</sup> L represents 3 months Libor which is fully fixed through swap arrangements over the life of the tranche at 5.954%.

<sup>2</sup> Ratings are as provided by Fitch, Standard & Poors and Moody's respectively.

<sup>3</sup> Tranches A2(R), A3(N), M2(N), B3 and A2(R) are wrapped by Ambac.

### **Impact on Existing Bonds**

On 14 June 2007 Moody's upgraded the Class A1(R) notes rating from A2 to Aa3 and the rating of the M1 notes from A3 to A1. The transaction is the first pub WBS to attain an Aa3 rating from Moody's and standalone AAA ratings from S&P and Fitch.



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## **FINANCIAL REPORT – QUARTER 3 (MAY 2007)**

### **Profit Commentary**

Trading results for the 12 week period were as follows:

- **Sales**

Turnover for the 12 week period to 26 May 2007 was £101.9m, of which rent contributed 28.4%, up from 27.6% in Q3 2005/6.

- **Gross Profits**

The total gross profit in the 12 week period to 26 May 2007 was £66.1m which gave a gross profit margin of 64.9% compared to a total gross profit of £66.0m in Q3 2005/06.

- **Operating Margin and EBITDA**

Operating margin for the 12 week period to 26 May 2007 was 57.2% resulting in an EBITDA of £58.3m. This is an increase in EBITDA of 2.1% as compared to Q3 2005/06 when EBITDA was £57.1m.

EBITDA is £247.5m for the 52 weeks to 26 May 2007.



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## FINANCIAL REPORT – QUARTER 3 (MAY 2007)

### Estate Portfolio

- During the period, as part of the ongoing churn of the estate to improve the overall quality, 419 pubs were disposed of as part of a package for £185.9m cash and £2.1m preference shares and an additional five pubs were disposed of individually for £1.8m cash. A further 57 pubs were disposed of on the last day of the period, to another company within the Punch Taverns group, for £9.6m cash. 278 pubs were acquired on the last day of the period, from another company within the Punch Taverns group, for £205.7m, resulting in a closing estate of 3,799.

|                       | <b>Quarter 3</b><br><b>12 weeks to</b><br><b>26 May</b><br><b>2007</b> | <b>YTD</b><br><b>40 weeks to</b><br><b>26 May</b><br><b>2007</b> |
|-----------------------|--|--|
| <b>Number of Pubs</b> |  |  |
| Opening               | 4,002  | 4,020  |
| Acquisitions          | 278  | 278  |
| Other <sup>1</sup>    | -  | (1)  |
| Disposals             | (481)  | (498)  |
| <b>End of Period</b>  | <b>3,799</b>   | <b>3,799</b>   |

<sup>1</sup> In the year to date, 1 pub was delicensed, 1 pub was licensed and the head lease was surrendered on 1 pub.

### Investment in Assets

|   | <b>Quarter 3</b><br><b>12 weeks to</b><br><b>26 May</b><br><b>2007</b><br><b>£m</b> | <b>YTD</b><br><b>40 weeks to</b><br><b>26 May</b><br><b>2007</b><br><b>£m</b> |
|---|---|---|
| Payments to acquire new pubs                                | 205.7   | 205.7   |
| Payments to acquire freehold interests in pubs <sup>1</sup> | -   | 13.8  |
| Spend on existing pubs                                      | 10.5  | 39.8  |
| Spend on other assets                                       | 0.5   | 1.1   |
| <b>Total Spend on Estate</b>                                | <b>216.7</b>  | <b>260.4</b>  |
| <b>Disposal Proceeds<sup>2</sup></b>                        | <b>197.5</b>  | <b>195.3</b>  |

<sup>1</sup> During the year to date the freehold interests were acquired on 69 pubs that were already operated by the Securitised Group.

<sup>2</sup> Disposal proceeds in the quarter include £0.2m relating to sales of other assets. The proceeds in the year to date include £0.4m relating to land and other sales.



**PUNCH TAVERNS FINANCE**  
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**FINANCIAL REPORT – QUARTER 3 (MAY 2007)**

**Debt Service Cover Ratio (DSCR)**

This is calculated as follows (see profit and loss account on page 7):

|                                 | <u>Quarter 3</u>   | <u>Rolling 2</u>   |
|---------------------------------|--------------------|--------------------|
|                                 | <u>12 weeks to</u> | <u>Quarters</u>    |
|                                 | <u>26 May 2007</u> | <u>24 weeks to</u> |
|                                 | <u>£m</u>          | <u>26 May 2007</u> |
|                                 | <u>£m</u>          | <u>£m</u>          |
| <b>EBITDA</b>                   | <b>58.3</b>        | <b>117.1</b>       |
| Interest Payable                | 29.2               | 58.6               |
| Interest Receivable             | (0.9)              | (1.5)              |
| Capital Repayments <sup>1</sup> | 7.4                | 14.5               |
|                                 | <u>35.7</u>        | <u>71.6</u>        |
| <b>Debt Service Cover Ratio</b> | <b>1.63 : 1</b>    | <b>1.64 : 1</b>    |

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

**Interest and Capital Payments**

|                          | <u>Quarter 3</u>   | <u>YTD</u>         |
|--------------------------|--------------------|--------------------|
|                          | <u>12 weeks to</u> | <u>40 weeks to</u> |
|                          | <u>26 May</u>      | <u>26 May</u>      |
|                          | <u>2007</u>        | <u>2007</u>        |
|                          | <u>£m</u>          | <u>£m</u>          |
| <b>Interest Payments</b> |                    |                    |
| A1                       | 4.9                | 14.7               |
| A2                       | 5.0                | 15.3               |
| A3                       | 1.0                | 3.2                |
| B1                       | 2.6                | 7.8                |
| B2                       | 3.1                | 9.5                |
| C                        | 3.4                | 10.4               |
| M1                       | 2.9                | 8.8                |
| M2                       | 6.7                | 18.8               |
| Swap costs               | 0.9                | 4.2                |
| Other                    | 0.6                | 1.7                |
|                          | <u>31.1</u>        | <u>94.4</u>        |
| <b>Capital Repayment</b> |                    |                    |
| A3                       | <u>8.4</u>         | <u>23.7</u>        |



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**FINANCIAL REPORT – QUARTER 3 (MAY 2007)**

**Restricted Payments**

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

|  | <u>Relevant Period</u><br><u>52 weeks</u><br><u>ending 19</u><br><u>August 2006</u><br><u>£m</u> |
|--|--|
| Excess Cash  | 88.1   |
| Less: Capex in relevant period   | (46.7)   |
| Add: Capex funded from DPA   | 16.3   |
| <b>Available Excess Cash Amount</b>  | <u><u>57.7</u></u>   |
| <br>   |  |
| 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>   |
| <br>   |  |
| <b>Utilisation to date:</b>  |  |
| Q1 2006/07 – Repayment of Borrower subordinated loan accrued interest          | 40.0   |
| Q2 2006/07 – Repayment of Borrower subordinated loan accrued interest          | 10.0   |
| Q3 2006/07 – Repayment of Borrower subordinated loan accrued interest          | 7.7  |
|  | <u><u>57.7</u></u>   |



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

|                               | <u>Quarter 3</u><br><u>12 weeks</u><br><u>to</u><br><u>26 May</u><br><u>2007</u><br><u>£m</u> | <u>YTD</u><br><u>40 weeks</u><br><u>to</u><br><u>26 May</u><br><u>2007</u><br><u>£m</u> |
|-------------------------------|---|---|
| <b>Turnover</b>               |   |   |
| Beer (net of discounts)       | 60.9  | 195.8   |
| Rent                          | 28.9  | 95.8  |
| Machines                      | 3.3   | 11.1  |
| Other                         | 8.8   | 28.3  |
| <b>Total Turnover</b>         | <b>101.9</b>  | <b>331.0</b>  |
| <b>Gross Profit</b>           |   |   |
| Beer                          | 30.4  | 100.6   |
| Rent                          | 28.9  | 95.8  |
| Machines                      | 3.3   | 11.1  |
| Other                         | 3.5   | 11.1  |
| <b>Total Gross Profit</b>     | <b>66.1</b>   | <b>218.6</b>  |
| Operating Costs               | (7.8)   | (27.3)  |
| <b>EBITDA</b>                 | <b>58.3</b>   | <b>191.3</b>  |
| Loss on Disposal              | (13.7)  | (15.1)  |
| Depreciation and Amortisation | (2.8)   | (7.3)   |
| Exceptional Credits           | -   | -   |
| Cash Interest Receivable      | 0.9   | 3.1   |
| Cash Interest Payable         | (29.2)  | (97.6)  |
| Non-Cash Interest Charge      | (0.6)   | (2.0)   |
| Subordinated Loan Interest    | (24.7)  | (79.8)  |
| <b>Loss Before Taxation</b>   | <b>(11.8)</b>   | <b>(7.4)</b>  |
| Taxation                      | (0.7)   | (2.5)   |
| <b>Profit After Taxation</b>  | <b>(12.5)</b>   | <b>(9.9)</b>  |



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

|  | <b>As at<br/>26 May<br/>2007<br/>£m</b> | <b>As at<br/>19 August<br/>2006<br/>£m</b> |
|--|---|--|
| <b>Fixed Assets</b>  |   |  |
| Goodwill   | (5.3)                                   | (5.6)                                      |
| Investments  | 2.1                                     | -  |
| Tangible Fixed Assets  | 2,545.7                                 | 2,515.3                                    |
|  | <b>2,542.5</b>                          | <b>2,509.7</b>                             |
| <b>Debtors</b>   |   |  |
| Trade  | 28.9                                    | 24.5                                       |
| Prepayments  | 12.4                                    | 16.4                                       |
|  | 41.3                                    | 40.9                                       |
| Cash at Bank and In Hand                                       | 41.0                                    | 102.0                                      |
| <b>CURRENT ASSETS</b>  | <b>82.3</b>                             | <b>142.9</b>                               |
| <b>Creditors: amounts falling due within one year</b>          |   |  |
| Loans  | (31.5)                                  | (29.9)                                     |
| Trade Creditors  | (4.2)                                   | (6.7)                                      |
| Other Creditors  | (25.1)                                  | (24.5)                                     |
| Corporation Tax  | 1.6                                     | -  |
| Social Security and Other Taxes                                | (9.0)                                   | (6.9)                                      |
| Accruals and Deferred Income                                   | (43.4)                                  | (39.5)                                     |
|  | (111.6)                                 | (107.5)                                    |
| <b>NET CURRENT (LIABILITIES)/ASSETS</b>                        | <b>(29.3)</b>                           | <b>35.4</b>                                |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   | <b>2,513.2</b>                          | <b>2,545.1</b>                             |
| <b>Creditors: amounts falling due after more than one year</b> |   |  |
| Loans  | (1,689.3)                               | (1,712.9)                                  |
| Accruals and Deferred Income                                   | (3.0)                                   | (2.9)                                      |
|  | (1,692.3)                               | (1,715.8)                                  |
| Provisions for Liabilities and Charges                         | (73.7)                                  | (73.8)                                     |
| Amounts due from Group Undertakings                            | 520.9                                   | 344.3                                      |
| <b>NET ASSETS</b>  | <b>1,268.1</b>                          | <b>1,099.8</b>                             |
| <b>Capital and Reserves</b>                                    |   |  |
| Share Capital  | -                                       | -  |
| Share Premium  | 2,963.3                                 | 2,963.3                                    |
| Capital Reserve <sup>2</sup>                                   | 188.4                                   | 33.0                                       |
| Intercompany Funding <sup>1</sup>                              | (2,987.9)                               | (2,987.9)                                  |
| Revaluation Reserve  | 351.0                                   | 365.7                                      |
| Subordinated Loan Funding                                      | 698.1                                   | 675.9                                      |
| Profit and Loss Reserves                                       | 65.1                                    | 33.5                                       |
| Profit / (Loss) for the period                                 | (9.9)                                   | 16.3                                       |
| <b>TOTAL SHAREHOLDERS' FUNDS</b>                               | <b>1,268.1</b>                          | <b>1,099.8</b>                             |

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

<sup>2</sup> During the quarter Punch Taverns Holdings Limited received a capital contribution of £156.1m from its immediate parent, which was repaid at the refinancing on 5 July 2007.



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**CONSOLIDATED CASH FLOW**

|   | <u>Quarter 3</u><br>12 weeks to<br>26 May 2007 | <u>YTD</u><br>40 weeks to<br>26 May<br>2007 |
|---|--|---|
|   | <u>£m</u>                                      | <u>£m</u>                                   |
| Operating profit                                      | 55.5   | 184.0                                       |
| Depreciation and amortisation                         | 2.8  | 7.4   |
| Cash flows on exceptional items                       | -  | -   |
| Decrease/(increase) in working capital                | (1.7)  | (17.9)                                      |
| <b>Net Cash Inflow From Operating Activities</b>      | 56.6   | 173.5                                       |
| <b>Returns on Investment and Servicing of Finance</b> |  |   |
| Interest paid   | (31.1)   | (94.7)                                      |
| Interest received                                     | 0.8  | 3.0   |
|   | (30.3)   | (91.7)                                      |
| <b>Taxation Payments</b>                              | -  | -   |
| <b>Capital Expenditure and Financial Investment</b>   |  |   |
| Payments to acquire new pubs                          | (205.7)  | (205.7)                                     |
| Payments to acquire freehold interests in pubs        | -  | (13.8)                                      |
| Investment spend on fixed assets                      | (11.0)   | (40.9)                                      |
| Receipt from sale of fixed assets                     | 197.5  | 195.3                                       |
|   | (19.2)   | (65.1)                                      |
| <b>Net Cash (Outflow) / Inflow Before Financing</b>   | (7.1)  | 16.7  |
| <b>Financing</b>                                      |  |   |
| Loan repaid   | (8.4)  | (23.7)                                      |
| Amounts paid to other group undertakings              | (10.6)   | (64.0)                                      |
|   | (19.0)   | (87.7)                                      |
| <b>NET INCREASE/(DECREASE) IN CASH</b>                | (11.9)   | (71.0)                                      |



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

**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 26 May 2007 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<br/>Period</u><br>24 weeks to<br>26 May 2007 |
|-----------------------|--|
| Debt Service (£m)     | 71.6   |
| Interest Charges (£m) | 58.6   |
| EBITDA (£m)           | 117.1  |

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

| Outlet EBITDA  | £63.8m  |                           |                             |                           |                         |     |     |                       |      |     |                     |      |      |                        |   |   |                 |      |      |              |       |       |
|--|---|---------------------------|-----------------------------|---------------------------|-------------------------|-----|-----|-----------------------|------|-----|---------------------|------|------|------------------------|---|---|-----------------|------|------|--------------|-------|-------|
| The average and final balance of each of the Securitisation Group Entity Accounts:                                 | <table border="1"> <thead> <tr> <th></th> <th align="center"><b>Average Balance (£m)</b></th> <th align="center"><b>Final Balance (£m)</b></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">27.4</td> <td align="center">0.9</td> </tr> <tr> <td>Controlled Cash A/c</td> <td align="center">21.5</td> <td align="center">21.6</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">21.0</td> <td align="center">21.9</td> </tr> <tr> <td>Payments A/c</td> <td align="center">(4.8)</td> <td align="center">(3.1)</td> </tr> </tbody> </table> |                           | <b>Average Balance (£m)</b> | <b>Final Balance (£m)</b> | Acquisition Reserve A/c | 0.1 | 0.1 | Disposal Proceeds A/c | 27.4 | 0.9 | Controlled Cash A/c | 21.5 | 21.6 | Stamp Duty Reserve A/c | - | - | Collections A/c | 21.0 | 21.9 | Payments A/c | (4.8) | (3.1) |
|  | <b>Average Balance (£m)</b>   | <b>Final Balance (£m)</b> |                             |                           |                         |     |     |                       |      |     |                     |      |      |                        |   |   |                 |      |      |              |       |       |
| Acquisition Reserve A/c  | 0.1   | 0.1                       |                             |                           |                         |     |     |                       |      |     |                     |      |      |                        |   |   |                 |      |      |              |       |       |
| Disposal Proceeds A/c  | 27.4  | 0.9                       |                             |                           |                         |     |     |                       |      |     |                     |      |      |                        |   |   |                 |      |      |              |       |       |
| Controlled Cash A/c  | 21.5  | 21.6                      |                             |                           |                         |     |     |                       |      |     |                     |      |      |                        |   |   |                 |      |      |              |       |       |
| Stamp Duty Reserve A/c   | -   | -                         |                             |                           |                         |     |     |                       |      |     |                     |      |      |                        |   |   |                 |      |      |              |       |       |
| Collections A/c  | 21.0  | 21.9                      |                             |                           |                         |     |     |                       |      |     |                     |      |      |                        |   |   |                 |      |      |              |       |       |
| Payments A/c   | (4.8)   | (3.1)                     |                             |                           |                         |     |     |                       |      |     |                     |      |      |                        |   |   |                 |      |      |              |       |       |
| CapEx Amounts expended   | £11.0m for the quarter (Minimum Maintenance CapEx Amount required of £4.4m per annum)   |                           |                             |                           |                         |     |     |                       |      |     |                     |      |      |                        |   |   |                 |      |      |              |       |       |
| Number of Punch Taverns Mortgaged Properties disposed of or acquired   | Disposals – 481<br>Acquisitions – 278   |                           |                             |                           |                         |     |     |                       |      |     |                     |      |      |                        |   |   |                 |      |      |              |       |       |
| Number of Pubs in Portfolio  | 3,799   |                           |                             |                           |                         |     |     |                       |      |     |                     |      |      |                        |   |   |                 |      |      |              |       |       |
| Weighted Average Return on all CapEx Amounts spent on all trading Pubs (in accordance with clause 16.8(c) of IBFA) | 22.7%   |                           |                             |                           |                         |     |     |                       |      |     |                     |      |      |                        |   |   |                 |      |      |              |       |       |



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

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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:

(a) there have been 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: 10 July 2007

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

.....  
Finance Director

.....  
Director