



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

FINANCIAL REPORT – MAY 2006 QUARTER

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**PUNCH TAVERNS FINANCE
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FINANCIAL REPORT – MAY 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 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 £100.8m, of which rent contributed 27.6%, up from 26.9% in Q3 2004/05.

- **Gross Profits**

The total gross profit in the 12 week period to 27 May 2006 was £66.0m which gave a gross profit margin of 65.4%.

Gross profit for the 12 week period per pub was 3.3% higher than the comparative quarter in the prior year.

- **Operating Margin and EBITDA**

Operating margin for the 12 week period to 27 May 2006 was 56.6% resulting in an EBITDA of £57.1m.

EBITDA of £247m for the 52 weeks to 27 May 2006 compares favourably to the run rate of £237m as stated in the Offering Circular.



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Estate Portfolio

- 1 pub disposal was made during the quarter, for net proceeds of £1.4m, resulting in a closing estate of 3,972.
- No acquisitions were made during the quarter.

	<u>Quarter 3</u> 12 weeks to 27 May 2006	<u>YTD</u> 40 weeks to 27 May 2006
Number of Pubs		
Opening	3,973	4,172
Acquisitions	-	-
Other ¹	-	(11)
Disposals ²	(1)	(189)
End of Period	<u>3,972</u>	<u>3,972</u>

¹ In Q2 2005/06 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.

² 160 pubs were disposed of as part of packages in Q2 2005/06 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 3</u> 12 weeks to 27 May 2006 <u>£m</u>	<u>YTD</u> 40 weeks to 27 May 2006 <u>£m</u>
Payments to acquire new pubs	-	-
Spend on existing pubs	11.2	31.8
Spend on other assets	0.6	1.9
Total Spend on Estate	<u>11.8</u>	<u>33.7</u>
Disposal Proceeds¹	<u>4.1</u>	<u>66.7</u>

¹ Disposal proceeds in the current quarter includes proceeds of £2.7m relating to 3 pubs that were disposed of in Q2 2005/06. 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 3</u> 12 weeks to 27 May 2006 <u>£m</u>	<u>Rolling 2</u> <u>Quarters</u> 24 weeks to 27 May 2006 <u>£m</u>	<u>YTD</u> 40 weeks to 27 May 2006 <u>£m</u>
EBITDA	57.1	113.2	188.6
Interest Payable	29.8	59.5	98.9
Interest Receivable	(1.3)	(2.4)	(3.6)
Capital Repayments ¹	7.0	13.1	20.2
	<u>35.5</u>	<u>70.2</u>	<u>115.5</u>
Debt Service Cover Ratio	1.61	1.61	1.63

¹ Calculated on a forward accruals basis.

Interest and Capital Payments

	<u>Quarter 3</u> 12 weeks to 27 May 2006 <u>£m</u>	<u>YTD</u> 40 weeks to 27 May 2006 <u>£m</u>
Interest Payments		
A1	4.9	14.7
A2	5.0	15.3
A3	1.3	4.0
B1	2.7	7.9
B2	3.1	9.5
C	3.4	10.4
M1	2.9	8.8
M2	5.8	17.5
Swap costs	2.1	6.3
Other	0.6	2.2
	<u>31.8</u>	<u>96.6</u>
Capital Repayment		
A3	<u>7.8</u>	<u>20.8</u>



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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> <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)
Available Excess Cash Amount	<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>
Utilisation to Date	
Q1 2005/06 - Repayment of Borrower Subordinated Loan Accrued Interest	50.0
Q3 2005/06 – Repayment of Borrower Subordinated Loan Accrued Interest	16.0
	<u><u>66.0</u></u>



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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
Turnover		
Beer (net of discounts)	61.4	199.6
Rent	27.8	93.6
Machines	3.3	11.2
Other	8.3	27.6
Total Turnover	<u>100.8</u>	<u>332.0</u>
Gross Profit		
Beer	31.7	103.0
Rent	27.8	93.6
Machines	3.4	11.3
Other	3.1	10.2
Total Gross Profit	<u>66.0</u>	<u>218.1</u>
Operating Costs	(8.9)	(29.5)
EBITDA	<u>57.1</u>	<u>188.6</u>
Profit/(Loss) on Disposal	2.3	(1.1)
Depreciation and Amortisation	(1.7)	(4.9)
Exceptional Costs ¹	(0.2)	(1.3)
Cash Interest Receivable	1.3	3.6
Cash Interest Payable	(29.8)	(98.9)
Non-Cash Interest Charge	(0.7)	(2.4)
Subordinated Loan Interest	(24.6)	(78.8)
Profit Before Taxation	<u>3.7</u>	<u>4.8</u>
Taxation	(0.3)	(1.2)
Profit After Taxation	<u>3.4</u>	<u>3.6</u>

¹ Exceptional costs incurred relate to licence reform costs and other related one-off costs.



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CONSOLIDATED BALANCE SHEET

	As at 27 May 2006 <u>£m</u>	As at 20 August 2005 <u>£m</u>
Fixed Assets		
Goodwill	(8.4)	(8.9)
Tangible Fixed Assets	2,385.1	2,426.3
	2,376.7	2,417.4
Debtors		
Trade	29.7	29.4
Prepayments	18.1	18.1
Other	-	-
	47.8	47.5
Cash at Bank and In Hand	119.6	97.2
CURRENT ASSETS	167.4	144.7
Creditors: amounts falling due within one year		
Loans	(29.3)	(26.2)
Trade Creditors	(5.1)	(6.4)
Other Creditors	(22.3)	(21.6)
Corporation Tax	(5.1)	(4.0)
Social Security and Other Taxes	(8.5)	(9.7)
Accruals and Deferred Income	(38.7)	(40.2)
	(109.0)	(108.1)
NET CURRENT ASSETS	58.4	36.6
TOTAL ASSETS LESS CURRENT LIABILITIES	2,435.1	2,454.0
Creditors: amounts falling due after more than one year		
Loans	(1,720.7)	(1,742.8)
Accruals and Deferred Income	(2.6)	(2.9)
	(1,723.3)	(1,745.7)
Provisions for Liabilities and Charges	(71.7)	(72.5)
Amounts due from Group Undertakings	348.7	336.5
NET ASSETS	988.8	972.3
Capital and Reserves		
Share Capital	-	-
Share Premium	2,963.3	2,963.3
Capital Reserve	33.2	33.8
Intercompany Funding ¹	(2,987.9)	(2,987.9)
Revaluation Reserve	288.4	289.6
Subordinated Loan Funding	656.3	643.6
Profit and Loss Reserves	31.9	17.2
Profit / (Loss) for the period	3.6	12.7
TOTAL SHAREHOLDERS' FUNDS	988.8	972.3

¹ 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 3</u> 12 weeks to 27 May 2006 <u>£m</u>	<u>YTD</u> 40 weeks to 27 May 2006 <u>£m</u>
Operating profit	55.4	183.7
Depreciation and amortisation	1.7	4.9
Cash flows on exceptional items	(0.2)	(1.3)
Decrease/(increase) in working capital	0.9	(12.7)
Net Cash Inflow From Operating Activities	<u>57.8</u>	<u>174.6</u>
Returns on Investment and Servicing of Finance		
Interest paid	(31.8)	(96.6)
Interest received	0.9	3.3
	<u>(30.9)</u>	<u>(93.3)</u>
Taxation Payments	-	-
Capital Expenditure and Financial Investment		
Payments to acquire new pubs	-	-
Investment spend on fixed assets	(12.2)	(34.1)
Receipt from sale of fixed assets	4.4	67.2
	<u>(7.8)</u>	<u>33.1</u>
Net Cash Inflow Before Financing	<u>19.1</u>	<u>114.4</u>
Financing		
Loan repaid	(7.8)	(20.8)
Amounts paid to other group undertakings	(17.8)	(71.2)
	<u>(25.6)</u>	<u>(92.0)</u>
NET (DECREASE)/INCREASE IN CASH	<u>(6.5)</u>	<u>22.4</u>



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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 27 May 2006 was 1.61 :1
- (b) for the purposes of calculating the above, the following values were relevant for the Financial Quarter just ended:

	<u>Relevant Period</u> 24 weeks to 27 May 2006
Debt Service (£m)	70.2
Interest Charges (£m)	59.5
EBITDA (£m)	113.2

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

Outlet EBITDA	£63.4m																					
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">67.8</td> <td align="center">69.4</td> </tr> <tr> <td>Controlled Cash A/c</td> <td align="center">20.5</td> <td align="center">20.6</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">49.5</td> <td align="center">33.6</td> </tr> <tr> <td>Payments A/c</td> <td align="center">(6.8)</td> <td align="center">(3.4)</td> </tr> </tbody> </table>		Average Balance (£m)	Final Balance (£m)	Acquisition Reserve A/c	0.1	0.1	Disposal Proceeds A/c	67.8	69.4	Controlled Cash A/c	20.5	20.6	Stamp Duty Reserve A/c	-	-	Collections A/c	49.5	33.6	Payments A/c	(6.8)	(3.4)
	Average Balance (£m)	Final Balance (£m)																				
Acquisition Reserve A/c	0.1	0.1																				
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Stamp Duty Reserve A/c	-	-																				
Collections A/c	49.5	33.6																				
Payments A/c	(6.8)	(3.4)																				
CapEx Amounts expended	£11.2m for the quarter (Minimum Maintenance CapEx Amount required of £4.4m per annum)																					
Number of Punch Taverns Mortgaged Properties disposed of or acquired	Disposals - 1																					
Number of Pubs in Portfolio	3,972																					
Weighted Average Return on all CapEx Amounts spent on all trading Pubs	25.3%																					



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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: 11 July 2006

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

.....
Finance Director

.....
Director