



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

FINANCIAL REPORT – MARCH 2006 QUARTER

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

FINANCIAL REPORT – MARCH 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 4 March 2006, which is the second 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”).

During the quarter, on 5 January 2006 Punch Taverns plc announced the completion of the acquisition of Spirit Group by another company within the Punch Taverns Group.

Profit Commentary

Trading results for the 12 week period are as follows:

- **Sales**

Turnover for the 12 week period to 4 March 2006 is £66.6m, of which beer sales contribute 61.7%.

Turnover for the 12 week period per pub is 4.7% higher than the comparative quarter in the prior year (under the previous financing structure).

- **Gross profits**

The total gross profit in the 12 week period to 4 March 2006 is £41.5m which gives a gross profit margin of 62.3%.

- **Operating Margin and EBITDA**

Operating margin for the 12 week period to 4 March 2006 is 52.7% resulting in an EBITDA for the period of £35.1m.

EBITDA per pub is 4.2% higher than the comparative quarter in the prior year.

EBITDA of £160.4m for the 52 weeks to 4 March 2006 compares favourably to the run rate of £157.0m as stated in the Offering Circular.



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Estate Portfolio

- 133 pub disposals were made during the quarter, for net proceeds of £57.5m, resulting in a closing estate balance of 3,017.
- No acquisitions were made during the quarter.

	<u>Quarter 2</u> 12 weeks to 4 March 2006 <u>No</u>	<u>YTD</u> 28 weeks to 4 March 2006 <u>No</u>
Number of Pubs		
Opening	3,150	3,176
Acquisitions	-	-
Other ¹	-	(1)
Disposals ²	(133)	(158)
	<u>3,017</u>	<u>3,017</u>

¹ During Q1 of 2005/06 the head lease expired on one pub, one pub was delicensed and a previously unlicensed property was licensed.

² 133 pubs were disposed of as part of packages in the current quarter (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 2</u> 12 weeks to 4 March 2006 <u>£000</u>	<u>YTD</u> 28 weeks to 4 March 2006 <u>£000</u>
Payments to acquire new pubs	-	-
Spend on existing pubs ¹	8.3	20.9
Total Spend on Estate	<u>8.3</u>	<u>20.9</u>
Disposal Proceeds	<u>57.5</u>	<u>65.2</u>

¹ 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.

Capital expenditure in the 28 weeks to 4 March 2006 exceeds the £10.0m that is required to be spent in each 6 month period.



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Debt Service Cover Ratio (DSCR)

This is calculated as follows (see profit and loss account on page 5):

	<u>Quarter 2</u> 12 weeks to 4 March 2006 <u>£m</u>	<u>Rolling 2 Quarters</u> 28 weeks to 4 March 2006 <u>£m</u>
EBITDA	35.1	82.9
Interest Payable	17.9	42.7
Interest Receivable	(0.9)	(2.3)
Capital Repayments ¹	-	-
	17.0	40.4
Debt Service Cover Ratio	2.06	2.05

¹ 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 2</u> 12 weeks to 4 March 2006 <u>£m</u>	<u>YTD</u> 28 weeks to 4 March 2006 <u>£m</u>
Interest Payments		
A3	3.7	7.4
A6	3.3	6.6
A7	3.0	5.0
A8	3.0	5.0
B1	1.6	3.2
B2	2.2	4.4
C	1.8	3.0
Swap costs	0.4	0.7
Other	0.3	0.4
	19.3	35.7

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

	<u>Relevant Period</u> <u>31 weeks¹ 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
Total Permitted Restricted Payment	<hr/> 25.5 <hr/>

¹ 31 weeks from the fourth closing date of 1 August 2005



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PROFIT AND LOSS ACCOUNT

	Quarter 2 12 weeks to 4 March 2006 £m	YTD 28 weeks to 4 March 2006 £m
Turnover		
Beer (net of discounts)	41.1	97.2
Rent	16.3	38.6
Machines	2.9	6.6
Other	6.3	14.9
Total Turnover	66.6	157.3
Gross Profit		
Beer	20.0	47.5
Rent	16.3	38.6
Machines	2.9	6.6
Other	2.3	5.1
Total Gross Profit	41.5	97.8
Operating Costs	(6.4)	(14.9)
EBITDA	35.1	82.9
Loss on Disposal	(2.7)	(3.3)
Depreciation and Amortisation	(0.8)	(2.0)
Exceptional items ¹	(0.3)	(0.5)
Cash Interest Receivable	0.9	2.3
Cash Interest Payable	(17.9)	(42.7)
Non-Cash Interest Charge	(0.3)	(0.8)
Subordinated Loan Interest	(6.5)	(14.7)
Profit Before Taxation	7.5	21.2
Taxation	(1.5)	(4.2)
Profit After Taxation	6.0	17.0

¹ Exceptional items incurred relate to licence reform costs, costs to integrate acquisitions into the Punch Taverns group and other related one-off costs.



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CONSOLIDATED BALANCE SHEET

	<u>Quarter 2</u> As at 4 March 2006 <u>£m</u>	<u>2004/05</u> As at 20 August 2005 <u>£m</u>
Fixed Assets		
Goodwill	(19.2)	(19.6)
Tangible Fixed Assets	1,581.7	1,631.6
	1,562.5	1,612.0
Debtors		
Trade	18.9	17.5
Prepayments	9.4	8.6
	28.3	26.1
Cash at Bank and In Hand	102.6	199.7
CURRENT ASSETS	130.9	225.8
Creditors: amounts falling due within one year		
Loans	-	(169.4)
Trade Creditors	(13.2)	(22.3)
Other Creditors	(10.4)	(9.9)
Corporation Tax	(3.4)	(0.1)
Social Security and Other Taxes	(2.0)	(2.0)
Accruals and Deferred Income	(27.9)	(26.8)
	(56.9)	(230.5)
NET CURRENT ASSETS/(LIABILITIES)	74.0	(4.7)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,636.5	1,607.3
Creditors: amounts falling due after more than one year		
Loans	(1,232.0)	(1,231.3)
	404.5	376.0
Provisions for Liability and Charges	(17.5)	(17.7)
Amounts due from Group Undertakings	223.8	220.8
NET ASSETS	610.8	579.1
Capital and Reserves		
Share Capital	84.0	84.0
Revaluation Reserve	327.9	336.7
Other Capital Reserves	7.6	7.6
Subordinated Loan Funding	193.7	179.0
Profit and Loss Reserves	(19.4)	(31.6)
Profit for the period	17.0	3.4
TOTAL SHAREHOLDERS' FUNDS	610.8	579.1



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CONSOLIDATED CASH FLOW

	<u>Quarter 2</u> 12 weeks to 4 March 2006 £m	<u>YTD</u> 28 weeks to 4 March 2006 £m
Operating profit	34.3	80.9
Depreciation and amortisation	0.8	1.9
Cash flows from exceptional items	(0.5)	(1.0)
(Increase)/decrease in working capital	(10.9)	(16.8)
Net Cash Inflow From Operating Activities	23.7	65.0
Returns on Investment and Servicing of Finance		
Interest paid	(19.3)	(38.5)
Interest received	0.9	2.6
	(18.4)	(35.9)
Taxation Payments	-	(1.0)
Capital Expenditure and Financial Investment		
Payments to acquire new pubs	-	-
Investment spend on fixed assets	(7.7)	(21.0)
Receipt from sale of fixed assets	57.2	65.1
	49.5	44.1
Net Cash Inflow Before Financing	54.8	72.2
Financing		
Loan repaid ¹	-	(169.3)
NET INCREASE/(DECREASE) IN CASH	54.8	(97.1)

¹ 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 4 March 2006 is 2.05 : 1;
- (c) the FCF Covenant for the two quarters ending on 4 March 2006 is 1.94 :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 4 March 2006 was £417.1m;
- (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):	2.05 : 1
EBITDA:	£35.1m
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:	£17.9m



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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 £39.5m

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)
38.5	36.4
48.2	66.2

Minimum Maintenance CapEx Amount £1.6m per semi-annual period
 CapEx Amounts expended £8.3m for the quarter
 Number of Punch Taverns B Mortgaged Properties disposed of or acquired Disposed - 133
 Number of Pubs in Portfolio 3,017
 Weighted Average Return on all CapEx Amounts spent on all trading Pubs during the 24 months 26.9%
 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: 18 April 2006

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

.....
 Finance Director

.....
 Director