



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

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**FINANCIAL REPORT – AUGUST 2005 QUARTER**

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**This report is confidential and should not be onwardly distributed without the written authority of Punch Taverns plc**



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**FINANCIAL REPORT – AUGUST 2005 QUARTER**

**Basis of Preparation**

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 twelve week period to 20 August 2005, which is the fourth quarter of the 2004/05 financial year.

Quarter end dates for the next financial year, to which future reports will be prepared are as follows:

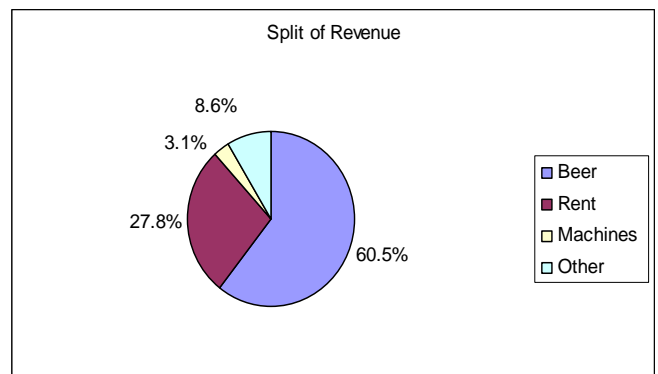
- 10<sup>th</sup> December 2005
- 4<sup>th</sup> March 2006
- 27<sup>th</sup> May 2006
- 19<sup>th</sup> August 2006

**Profit Commentary**

Trading results for the twelve week period are as follows:

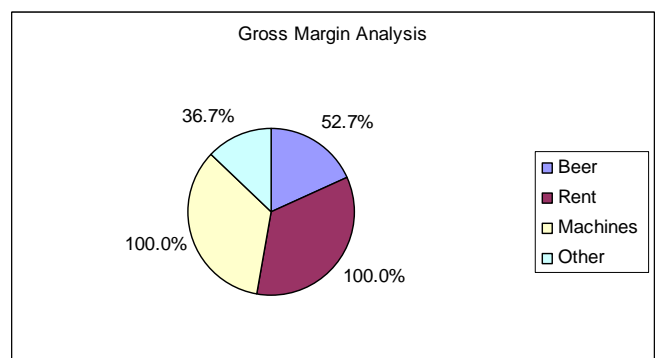
• **Turnover**

- The breakdown of turnover shows further increase in the proportion contributed from rental income streams, which is being driven by the continuing conversion of our estate onto Secure Retailer Agreements.
- The additional discounts granted for Secure Retailer Agreements conversely reduce net beer income.
- Absolute rents receivable are 2% higher than in Q3.



• **Gross Profits**

- Gross profit of £67.5m is up £0.3m on the last quarter.
- This is driven primarily by rent and other income.
- Total gross profit margin is 66%, a further percentage point improvement from Q3. Overall margin is impacted favourably by the increased rent mix.
- Beer gross margin continues to improve, reflecting summer mix at 52.7% (51.6% in Q3).





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- **Estate**
  - The number of Punch Growth Leases and long term Retailer Agreements in the estate has risen from 1,752 at end of Q3 to 1,813 at end of Q4.
  - 8 disposals were made during the quarter, for net proceeds of £2.0m, resulting in a closing estate balance of 4,172.
  - No acquisitions were made during the quarter.
  - A revaluation of the estate is performed on a rolling five-year basis. At 20 August 2005 872 properties were revalued resulting in an uplift to net assets of £71.0m, representing a 15.2% uplift on those properties revalued.<sup>1</sup>

<sup>1</sup> Restated to reflect the finalisation of the year end revaluation of fixed assets.

- **Operating Margin and EBITDA**
  - Operating margin of 55.8% resulting in an EBITDA for the 12 week period to 20 August 2005 of £57.5m.
  - EBITDA of £247m for the 52 week period to 20 August 2005 compares favourably to the run rate of £237m as stated in the Offering Circular.

**Estate Portfolio**

	<u>Quarter 4</u> 12 weeks to 20 August 2005	<u>YTD</u> 52 weeks to 20 August 2005
<b>Number of Pubs</b>		
Opening	4,180	4,222
Acquisitions	-	-
Other <sup>1</sup>	-	(1)
Disposals <sup>2</sup>	(8)	(49)
<b>End of Period</b>	<u>4,172</u>	<u>4,172</u>

<sup>1</sup> The head lease expired on one pub during Q1 2004/05.

<sup>2</sup> 20 pubs were disposed of as a package in Q1 2004/05 following the acquisition of InnSpired Group Ltd by Punch Taverns plc.

**Investment in Assets**

	<u>Quarter 4</u> 12 weeks to 20 August 2005 <u>£m</u>	<u>YTD</u> 52 weeks to 20 August 2005 <u>£m</u>
Payments to acquire new pubs	-	-
Spend on existing pubs	10.9	37.5
Spend on other assets	0.6	1.6
<b>Total Spend on Estate</b>	<u>11.5</u>	<u>39.1</u>
<b>Disposal Proceeds<sup>1</sup></b>	<u>2.3</u>	<u>15.4</u>

<sup>1</sup> Disposal proceeds in this quarter include proceeds of £0.4m for land disposals



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**FINANCIAL REPORT – AUGUST 2005 QUARTER**

**Debt Service Cover Ratio (DSCR)**

This is calculated as follows (see profit and loss account on page 6):

	<u>Quarter 4</u> 12 weeks to 20 August 2005 <u>£m</u>	<u>Rolling Two</u> <u>Quarters</u> 24 weeks to 20 August 2005 <u>£m</u>	<u>YTD</u> 52 weeks to 20 August 2005 <u>£m</u>
<b>EBITDA</b>	<b>58.2</b>	<b>116.9</b>	<b>246.8</b>
Interest Payable	29.8	59.4	129.9
Interest Receivable	(0.9)	(1.5)	(3.3)
Capital Repayments <sup>1</sup>	5.6	11.0	20.9
	<u>34.5</u>	<u>68.9</u>	<u>147.5</u>
<b>Debt Service Cover Ratio</b>	<b>1.69</b>	<b>1.70</b>	<b>1.67</b>

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

**Interest and Capital Payments**

The interest and capital payments shown below relate purely to the revised debt structure.

	<u>Quarter 4</u> 12 weeks to 20 August 2005 <u>£m</u>	<u>YTD</u> 52 weeks to 20 August 2005 <u>£m</u>
<b>Interest Payments</b>		
A1	4.9	19.6
A2	5.1	20.3
A3	1.6	6.8
B1	2.6	10.4
B2	3.1	12.6
C	3.5	13.9
M1	2.9	11.8
M2	6.1	24.1
Swap costs	1.7	7.4
Other	0.7	2.9
	<u>32.2</u>	<u>129.8</u>
<b>Capital Repayment</b>		
A3	<u>6.0</u>	<u>21.9</u>



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**Restricted Payments**

The following payments to Punch Taverns Intermediate Holdings Limited can be made during the next 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)
<b>Available Excess Cash Amount</b>	<b>70.4</b>
Restricted Payment Excess Cash	77.4
Tax due on the accrual of interest on the Borrower Subordinated Loans	27.2
	104.6
Less: Restriction to ensure total does not exceed Available Excess Cash Amount	(34.2)
	<b>70.4</b>
<b>Utilisation to Date</b>	
Q1 2005/06 – Repayment of Borrower Subordinated Loan Accrued Interest	-
Q2 2005/06	-
Q3 2005/06	-
Q4 2005/06	-



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

	<u>Quarter 4</u> <u>12 weeks to</u> <u>20 August</u> <u>2005</u> <u>£m</u>	<u>YTD</u> <u>52 weeks to</u> <u>20 August</u> <u>2005<sup>1</sup></u> <u>£m</u>
<b>Turnover</b>		
Beer (net of discounts)	61.9	265.9
Rent	28.4	120.9
Machines	3.2	14.8
Other	8.8	37.2
<b>Total Turnover</b>	<u><b>102.4</b></u>	<u><b>438.8</b></u>
<b>Gross Profit</b>		
Beer	32.7	137.1
Rent	28.4	120.9
Machines	3.2	14.8
Other	3.2	12.8
<b>Total Gross Profit</b>	<u><b>67.5</b></u>	<u><b>285.6</b></u>
Operating Costs	(9.3)	(38.8)
<b>EBITDA</b>	<u><b>58.2</b></u>	<u><b>246.8</b></u>
Profit / (Loss) on Disposal	(0.2)	-
Depreciation and Amortisation	(1.5)	(6.0)
Exceptional Costs	(1.1)	(2.8)
Cash Interest Receivable	0.9	3.3
Cash Interest Payable	(29.8)	(129.9)
Non-Cash Interest Charge	(0.7)	(2.8)
Subordinated Loan Interest	(21.8)	(90.8)
<b>Profit / (Loss) Before Taxation</b>	<u><b>4.0</b></u>	<u><b>17.8</b></u>
Taxation	-	-
<b>Profit / (Loss) After Taxation</b>	<u><b>4.0</b></u>	<u><b>17.8</b></u>

<sup>1</sup> Year to date results have been adjusted for a reduction in subordinated loan interest (following the cash upstreaming in October 2004), to reflect the forecast taxation charge for the year and to reflect the reclassification of £0.9m of income from operating costs to beer sales and rent respectively.



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

	As at 20 August 2005 <sup>3</sup> <u>£m</u>	As at 21 August 2004 <sup>1</sup> <u>£m</u>
<b>Fixed Assets</b>		
Goodwill	(8.9)	(9.4)
Tangible Fixed Assets	2,426.3	2,337.4
	<u>2,417.4</u>	<u>2,328.0</u>
<b>Debtors</b>		
Trade	29.4	28.9
Prepayments	18.1	15.2
Other	-	-
	<u>47.5</u>	<u>44.1</u>
Cash at Bank and In Hand	97.2	77.0
<b>CURRENT ASSETS</b>	<u>144.7</u>	<u>121.1</u>
<b>Creditors: amounts falling due within one year</b>		
Loans	(26.2)	(21.2)
Trade Creditors	(6.4)	(4.5)
Other Creditors	(21.6)	(19.4)
Corporation Tax	(4.1)	(4.1)
Social Security and Other Taxes	(9.7)	(8.7)
Accruals and Deferred Income	(40.2)	(39.8)
	<u>(108.2)</u>	<u>(97.7)</u>
<b>NET CURRENT (LIABILITIES) / ASSETS</b>	<u>36.5</u>	<u>23.4</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	2,453.9	2,351.4
<b>Creditors: amounts falling due after more than one year</b>		
Loans	(1,742.8)	(1,767.2)
Accruals and Deferred Income	(2.9)	(3.5)
	<u>(1,745.7)</u>	<u>(1,770.7)</u>
Provisions for Liability and Charges	(65.2)	(65.3)
Amounts due from Group Undertakings	334.4	326.7
<b>NET ASSETS</b>	<u><b>977.4</b></u>	<u><b>842.1</b></u>
<b>Capital and Reserves</b>		
Share Capital	-	-
Share Premium	2,963.3	2,963.3
Capital Reserve	33.8	34.6
Intercompany Funding <sup>2</sup>	(2,987.9)	(2,987.9)
Revaluation Reserve	289.6	221.0
Subordinated Loan Funding	643.6	597.0
Profit and Loss Reserves	17.2	21.9
Profit / (Loss) for the period	17.8	(7.8)
<b>TOTAL SHAREHOLDERS' FUNDS</b>	<u><b>977.4</b></u>	<u><b>842.1</b></u>

<sup>1</sup> Restated to include the year end revaluation of fixed assets and for corporation tax. The impact of these adjustments is to increase net assets by £28.9m.

<sup>2</sup> Represents Punch Taverns (PR) Limited intercompany balances with Punch Taverns (PRAF) Limited and Punch Retail (PRAC) Limited.

<sup>3</sup> Restated to reflect the finalisation of the year end revaluation of fixed assets.



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**CONSOLIDATED CASH FLOW**

	<u>Quarter 4</u> <u>12 Weeks to</u> <u>20 August</u> <u>2005</u> <u>£m</u>	<u>YTD</u> <u>52 Weeks to</u> <u>20 August</u> <u>2005</u> <u>£m</u>
<b>Net Cash Inflow From Operating Activities</b>	93.9	246.5
<b>Returns on Investment and Servicing of Finance</b>		
Interest paid	(32.2)	(129.8)
Interest receivable	0.8	3.0
	(31.4)	(126.8)
<b>Taxation (Payments)/Receipts</b>	-	-
<b>Capital Expenditure and Financial Investment</b>		
Payments to acquire new pubs	-	-
Investment spend on fixed assets	(12.8)	(43.2)
Receipt from sale of fixed assets	2.4	17.5
	(10.4)	(25.7)
<b>Net Cash Inflow Before Financing</b>	52.1	94.0
<b>Financing</b>		
Loan repaid	(6.0)	(21.9)
Amounts paid to other group undertakings	(1.8)	(51.9)
	(7.8)	(73.8)
<b>NET INCREASE / (DECREASE) IN CASH</b>	44.3	20.2



**PUNCH TAVERNS FINANCE**  
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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 20 August 2005 was : 1.69:1

(b) for the purposes of calculating the above, the following values were relevant for the Financial Quarter just ended:

	<b>Relevant Period</b> <b>24 weeks to 20</b> <b>August 2005</b>
Debt Service (£m)	68.9
Interest Charges (£m)	57.9
EBITDA (£m)	116.9

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

Outlet EBITDA	£64.2m																					
The average and final balance of each of the Securitisation Group Entity Accounts:	<table border="1"> <thead> <tr> <th></th> <th align="right"><b>Average Balance (£m)</b></th> <th align="right"><b>Final Balance (£m)</b></th> </tr> </thead> <tbody> <tr> <td>Acquisition Reserve A/c</td> <td align="right">0.1</td> <td align="right">0.1</td> </tr> <tr> <td>Disposal Proceeds A/c</td> <td align="right">6.7</td> <td align="right">7.5</td> </tr> <tr> <td>Controlled Cash A/c</td> <td align="right">21.4</td> <td align="right">21.5</td> </tr> <tr> <td>Stamp Duty Reserve A/c</td> <td align="right">-</td> <td align="right">-</td> </tr> <tr> <td>Collections A/c</td> <td align="right">55.7</td> <td align="right">73.0</td> </tr> <tr> <td>Payments A/c</td> <td align="right">(6.5)</td> <td align="right">(5.3)</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	6.7	7.5	Controlled Cash A/c	21.4	21.5	Stamp Duty Reserve A/c	-	-	Collections A/c	55.7	73.0	Payments A/c	(6.5)	(5.3)
	<b>Average Balance (£m)</b>	<b>Final Balance (£m)</b>																				
Acquisition Reserve A/c	0.1	0.1																				
Disposal Proceeds A/c	6.7	7.5																				
Controlled Cash A/c	21.4	21.5																				
Stamp Duty Reserve A/c	-	-																				
Collections A/c	55.7	73.0																				
Payments A/c	(6.5)	(5.3)																				
CapEx Amounts expended	£10.9m for the quarter (Minimum Maintenance CapEx Amount required of £4.4m per annum)																					
Number of Punch Taverns Mortgaged Properties disposed of or acquired	Disposals – 8																					
Number of Pubs in Portfolio	4,172																					
Weighted Average Return on all CapEx Amounts spent on all trading Pubs	28.8%																					



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Free Cash Flow	£239.1m for the 52 weeks ended 20 <sup>th</sup> August, 2005
Excess Cash	£92.2m for the 52 weeks ended 20 <sup>th</sup> August, 2005
Restricted Payment Excess Cash	£77.4m for the 52 weeks ended 20 <sup>th</sup> August, 2005
Net Worth	£643.0m as at 20 <sup>th</sup> August, 2005

(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. On 1<sup>st</sup> August 2005 Punch Taverns (PTL) Limited entered into a new contract with other members of the Punch Taverns plc group to provide management services. This was negotiated as part of the refinancing of the 'Punch Taverns Finance B' securitisation. The terms of the new agreement are on substantially similar terms to the contract it replaced.

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 noted above;
- (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 October 2005

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

.....  
Finance Director

.....  
Director