



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

FINANCIAL REPORT – QUARTER 3 (MAY 2008)

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

FINANCIAL REPORT – QUARTER 3 (MAY 2008)

Introduction

This report covers the 12 week period to 24 May 2008, which is the third 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 24 May 2008 was £64.9m, of which rent contributed 27.0% up from 25.2% in Q3 2006/07.

- **Gross profits**

The total gross profit in the 12 week period to 24 May 2008 was £42.2m, which gave a gross profit margin of 65.1%.

- **Operating Margin and EBITDA**

Operating margin for the 12 week period to 24 May 2008 was 55.9%, up from 55.6% in Q3 2006/07, resulting in an EBITDA of £36.3m.

EBITDA per pub for the rolling 4 quarters is £58,000, up from £53,900 at the same point in 2006/07.

EBITDA in total for the 52 week period to 24 May 2008 was £159.8m. This compares favourably to the run rate of £157.0m, as stated in the Offering Circular.



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Estate Portfolio

- During the quarter, one pub was disposed, for proceeds of £0.3m.

| | <u>Quarter 3</u> 12 weeks to 24 May 2008 <u>No</u> | <u>YTD</u> 40 weeks to 24 May 2008 <u>No</u> |
|-----------------------|---|---|
| Number of Pubs | | |
| Opening | 2,752 | 2,754 |
| Acquisitions | - | - |
| Other | - | - |
| Disposals | (1) | (3) |
| | <u>2,751</u> | <u>2,751</u> |

Investment in Pub Estate

| | <u>Quarter 3</u> 12 weeks to 24 May 2008 <u>£m</u> | <u>YTD</u> 40 weeks to 24 May 2008 <u>£m</u> |
|--------------------------------------|---|---|
| Payments to acquire new pubs | - | - |
| Spend on existing pubs | 1.8 | 16.7 |
| Total Spend on Estate | <u>1.8</u> | <u>16.7</u> |
| Disposal Proceeds¹ | <u>0.4</u> | <u>1.2</u> |

¹ The proceeds in the current period include £0.1m (year to date: £0.5m) 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 3</u> 12 weeks to 24 May 2008 £m | <u>Rolling 2 Quarters</u> 24 weeks to 24 May 2008 £m | <u>Rolling 4 Quarters</u> 52 weeks to 24 May 2008 £m |
|---------------------------------|---|--|--|
| EBITDA | 36.3 | 71.2 | 159.8 |
| Interest Payable | 17.9 | 35.9 | 77.5 |
| Interest Receivable | (0.9) | (1.9) | (4.0) |
| Capital Repayments ¹ | - | - | - |
| | 17.0 | 34.0 | 73.5 |
| Debt Service Cover Ratio | 2.14 : 1 | 2.09 : 1 | 2.17 : 1 |

¹ Capital repayments to commence in December 2009

Interest and Capital Payments

| | <u>Quarter 3</u> 12 weeks to 24 May 2008 £m | <u>YTD</u> 40 weeks to 24 May 2008 £m |
|--------------------------|---|---|
| Interest Payments | | |
| A3 | 3.7 | 11.1 |
| A6 | 3.3 | 9.9 |
| A7 | 3.0 | 9.0 |
| A8 | 3.9 | 12.0 |
| B1 | 1.6 | 4.8 |
| B2 | 2.2 | 6.6 |
| C | 2.2 | 6.8 |
| Swap receipts | (0.9) | (3.1) |
| Other | 0.3 | 0.9 |
| | 19.3 | 58.0 |

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/> 28.8 <hr/> |
| Utilisation to date: | |
| Q3 2007/08 – Payment of interim dividend to parent company | <hr/> 28.8 <hr/> |



PUNCH TAVERNS FINANCE B
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PROFIT AND LOSS ACCOUNT

| | <u>Quarter 3</u> 12 weeks to 24 May 2008 £m | <u>YTD</u> 40 weeks to 24 May 2008 £m |
|--------------------------------|---|---|
| Turnover | | |
| Beer (net of discounts) | 38.1 | 123.6 |
| Rent | 17.5 | 59.6 |
| Machines | 2.3 | 8.0 |
| Other | 7.0 | 22.3 |
| Total Turnover | 64.9 | 213.5 |
| Gross Profit | | |
| Beer | 19.3 | 63.4 |
| Rent | 17.5 | 59.6 |
| Machines | 2.3 | 8.0 |
| Other | 3.1 | 9.3 |
| Total Gross Profit | 42.2 | 140.3 |
| Operating Costs | (5.9) | (19.5) |
| EBITDA | 36.3 | 120.8 |
| (Loss) / Profit on Disposal | (0.1) | 0.6 |
| Depreciation and Amortisation | (1.1) | (3.6) |
| Exceptional Items ¹ | (0.2) | (0.5) |
| Cash Interest Receivable | 0.9 | 3.1 |
| Cash Interest Payable | (17.9) | (59.6) |
| Non-Cash Interest Income | (0.2) | (1.2) |
| Subordinated Loan Interest | (6.5) | (21.0) |
| Profit Before Taxation | 11.2 | 38.6 |
| Taxation | (3.3) | (11.1) |
| Profit After Taxation | 7.9 | 27.5 |
| Interim Dividend Paid | (28.8) | (38.3) |
| Loss for the Period | (20.9) | (10.8) |

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 3</u> As at 24 May 2008 £m | <u>2006/07</u> As at 18 August 2007 ¹ £m |
|---|---|---|
| Fixed Assets | | |
| Investments | - | 1.1 |
| Goodwill | (16.9) | (17.6) |
| Tangible Fixed Assets | 1,711.1 | 1,699.9 |
| | 1,694.2 | 1,683.4 |
| Debtors | | |
| Trade | 18.5 | 22.3 |
| Prepayments | 3.8 | 5.9 |
| | 22.3 | 28.2 |
| Derivative Financial Instrument | - | 11.8 |
| Cash at Bank and In Hand | 57.2 | 69.6 |
| CURRENT ASSETS | 79.5 | 109.6 |
| Creditors: amounts falling due within one year | | |
| Trade Creditors | (9.4) | (4.9) |
| Other Creditors | (13.0) | (14.4) |
| Corporation Tax | (0.1) | (0.1) |
| Social Security and Other Taxes | (6.2) | (3.2) |
| Accruals and Deferred Income | (20.7) | (20.2) |
| | (49.4) | (42.8) |
| NET CURRENT ASSETS | 30.1 | 66.8 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 1,724.3 | 1,750.2 |
| Loans | (1,235.2) | (1,234.1) |
| | 489.1 | 516.1 |
| Provisions for Liability and Charges | (10.9) | (16.2) |
| Pension – Defined Benefit Liability | (1.9) | (2.7) |
| Derivative Financial Instrument | (5.0) | - |
| Amounts due from Group Undertakings | 215.5 | 203.9 |
| NET ASSETS | 686.8 | 701.1 |
| Capital and Reserves | | |
| Share Capital | 84.0 | 84.0 |
| Revaluation Reserve | 375.4 | 375.3 |
| Other Capital Reserves | 7.6 | 7.6 |
| Hedge Reserve | 0.1 | 11.8 |
| Subordinated Loan Funding | 195.1 | 186.5 |
| Profit and Loss Reserves | 24.6 | 35.9 |
| TOTAL SHAREHOLDERS' FUNDS | 686.8 | 701.1 |

¹ The position at 18 August 2007 has been restated for the finalisation of the underlying statutory accounts. This has had the impact of increasing net assets by £1.4m.



PUNCH TAVERNS FINANCE B
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CONSOLIDATED CASH FLOW

| | <u>Quarter 3</u> 12 weeks to 24 May 2008 £m | <u>YTD</u> 40 weeks to 24 May 2008 £m |
|---|--|--|
| Operating profit | 35.2 | 117.2 |
| Depreciation and amortisation | 1.1 | 3.6 |
| Cash flows from exceptional items | (0.3) | (1.5) |
| Decrease / (increase) in working capital | 2.3 | (10.3) |
| Net Cash Inflow From Operating Activities | 38.3 | 109.0 |
| Returns on Investment and Servicing of Finance | | |
| Interest paid | (19.3) | (58.0) |
| Interest received | 0.6 | 2.8 |
| | (18.7) | (55.2) |
| Taxation Receipts | - | - |
| Capital Expenditure and Financial Investment | | |
| Payments to acquire new pubs | - | - |
| Investment spend on fixed assets | (1.8) | (16.7) |
| Receipt from sale of fixed assets | 0.4 | 1.2 |
| | (1.4) | (15.5) |
| Equity Dividends Paid | (28.8) | (38.3) |
| Net Cash Outflow Before Financing | (10.6) | - |
| Financing | | |
| Amounts paid to other group undertakings | - | (12.4) |
| DECREASE IN CASH | (10.6) | (12.4) |



PUNCH TAVERNS FINANCE B
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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 24 May 2008 is 2.17 : 1;
 - ii) for the period of two Financial Quarters ending on 24 May 2008 is 2.09 : 1.
- (c) the FCF Ratio:
 - i) for the period of four Financial Quarters ending on 24 May 2008 is 2.21 : 1;
 - ii) for the period of two Financial Quarters ending on 24 May 2008 is 2.17 : 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: | £36.3m |
| 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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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: 8 July 2008

Signed for and on behalf of

Punch Taverns (PML) Limited

.....
Finance Director

.....
Director