



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

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**FINANCIAL REPORT – AUGUST 2006 QUARTER**

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

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### **FINANCIAL REPORT – AUGUST 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 19 August 2006, which is the fourth 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”).

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

<b>Quarter End</b>	<b>Reporting Period</b>	<b>Reporting Date</b>
9 December 2006	16 weeks	23 January 2007
3 March 2007	12 weeks	17 April 2007
26 May 2007	12 weeks	10 July 2007
18 August 2007	12 weeks	2 October 2007

#### **Profit Commentary**

Trading results for the 12 week period were as follows:

- **Sales**

Turnover for the 12 week period to 19 August 2006 was £69.2m, of which rent sales contributed 24.2%, up from 24.0% in Q4 2004/05.

- **Gross profits**

The total gross profit in the 12 week period to 19 August 2006 was £42.6m which gave a gross profit margin of 61.5%.

- **Operating Margin and EBITDA**

Operating margin for the 12 week period to 19 August 2006 was 52.5% resulting in an EBITDA of £36.4m.

EBITDA for the 52 week period to 19 August 2006 was £154.2m, which is 1.8% below the run rate of £157.0m, as stated in the Offering Circular. The Group has been operating with 3.8% fewer pubs than at the closing date of 1 August 2005 and holds £30.5m of cash available in the disposal proceeds account.



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**Estate Portfolio**

- 25 pubs were acquired in the period from other companies in the Punch Taverns group. These pubs were previously run as managed pubs by the Spirit group and have been converted to leased pubs.
- 4 pub disposals were made during the quarter, for net proceeds of £2.0m, resulting in a closing estate of 3,037.

	<b><u>Quarter 4</u></b> <b>12 weeks to</b> <b>19 August</b> <b>2006</b> <b><u>No</u></b>	<b><u>YTD</u></b> <b>52 weeks to</b> <b>19 August</b> <b>2006</b> <b><u>No</u></b>
<b>Number of Pubs</b>		
Opening	3,016	3,176
Acquisitions	25	25
Other <sup>2</sup>	-	(2)
Disposals <sup>3</sup>	(4)	(162)
	<b><u>3,037</u></b>	<b><u>3,037</u></b>

<sup>1</sup> During the year to date, the head leases expired on two pubs, one pub was delicensed and a previously unlicensed property was licensed.

<sup>2</sup> 156 pubs have been disposed of during the year as part of packages following the acquisition of Spirit group and Avebury Holdings Limited.

**Investment in Pub Estate**

	<b><u>Quarter 4</u></b> <b>12 weeks to</b> <b>19 August</b> <b>2006</b> <b><u>£000</u></b>	<b><u>YTD</u></b> <b>52 weeks to</b> <b>19 August</b> <b>2006</b> <b><u>£000</u></b>
Payments to acquire new pubs	31.3	31.3
Spend on existing pubs	12.3	42.5
<b>Total Spend on Estate</b>	<b><u>43.6</u></b>	<b><u>73.8</u></b>
<b>Disposal Proceeds</b>	<b><u>2.2</u></b>	<b><u>67.5</u></b>



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**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 19 August 2006 £m	<u>Rolling 2 Quarters</u> 24 weeks to 19 August 2006 £m	<u>YTD</u> 52 weeks to 19 August 2006 £m
<b>EBITDA</b>	<b>36.4</b>	<b>71.3</b>	<b>154.2</b>
Interest Payable	17.8	35.9	78.6
Interest Receivable	(0.8)	(1.8)	(4.1)
Capital Repayments <sup>1</sup>	-	-	-
	<b>17.0</b>	<b>34.1</b>	<b>74.5</b>
<b>Debt Service Cover Ratio</b>	<b>2.13</b>	<b>2.10</b>	<b>2.07</b>

<sup>1</sup> 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 4</u> 12 weeks to 19 August 2006 £m	<u>YTD</u> 52 weeks to 19 August 2006 £m
<b>Interest Payments</b>		
A3	3.7	14.8
A6	3.3	13.2
A7	3.0	11.0
A8	3.1	11.1
B1	1.6	6.4
B2	2.2	8.8
C	1.8	6.6
Swap costs	0.3	1.3
Other	0.4	1.1
	<b>19.4</b>	<b>74.3</b>

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>24 weeks ending</u> <u>19 August 2006</u> <u>£m</u>
Free Cash Flow	69.0
Less: Debt Service	(34.1)
Less: current period restriction of R(FCF) to 1.3: 1	(10.2)
Plus: prior period restriction of unapplied excess cash (A-B)	7.2
Excess Cash	<hr/> 31.9
Capex in relevant period	(21.6)
Add: capex funded from DPA	<hr/> 11.6
Capex required to be funded from excess cash	(10.0)
<b>Available Excess Cash:</b>	
<b>Total Permitted Restricted Payment</b>	<hr/> <b>21.9</b> <hr/>



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

	<b>Quarter 4</b> <b>12 weeks to</b> <b>19 August</b> <b>2006</b> <b>£m</b>	<b>YTD</b> <b>52 weeks to</b> <b>19 August</b> <b>2006</b> <b>£m</b>
<b>Turnover</b>		
Beer (net of discounts)	42.1	181.5
Rent	16.7	71.4
Machines	2.6	12.0
Other	7.8	29.3
<b>Total Turnover</b>	<b>69.2</b>	<b>294.2</b>
<b>Gross Profit</b>		
Beer	20.6	88.6
Rent	16.7	71.4
Machines	2.6	12.0
Other	2.6	9.8
<b>Total Gross Profit</b>	<b>42.6</b>	<b>181.9</b>
Operating Costs	(6.2)	(27.6)
<b>EBITDA</b>	<b>36.4</b>	<b>154.2</b>
Profit/(Loss) on Disposal	0.1	(1.7)
Depreciation and Amortisation	(0.9)	(3.4)
Exceptional items <sup>1,2</sup>	(0.5)	(1.9)
Cash Interest Receivable	0.8	4.1
Cash Interest Payable	(17.8)	(78.6)
Non-Cash Interest Charge <sup>2</sup>	(0.1)	(0.4)
Subordinated Loan Interest	(6.2)	(27.6)
<b>Profit Before Taxation</b>	<b>11.8</b>	<b>44.7</b>
Taxation	(2.3)	(8.6)
<b>Profit After Taxation</b>	<b>9.5</b>	<b>36.3</b>
Interim dividend paid	-	(2.7)
<b>Profit for the Period</b>	<b>9.5</b>	<b>33.6</b>

<sup>1</sup> Exceptional items incurred relate to licence reform costs and other related one-off costs.

<sup>2</sup> £0.5m relating to the amortisation of a swap premium has been reclassified in the YTD numbers from exceptional items to non-cash interest charge.



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

	<u>Quarter 4</u> As at 19 August 2006 <sup>1</sup> <u>£m</u>	<u>2004/05</u> As at 20 August 2005 <u>£m</u>
<b>Fixed Assets</b>		
Goodwill	(18.6)	(19.6)
Tangible Fixed Assets	1,630.3	1,631.6
	1,611.7	1,612.0
<b>Debtors</b>		
Trade	21.6	17.5
Prepayments	8.6	8.6
	30.2	26.1
Cash at Bank and In Hand	83.6	199.7
<b>CURRENT ASSETS</b>	113.8	225.8
<b>Creditors: amounts falling due within one year</b>		
Loans	-	(169.4)
Trade Creditors	(19.7)	(22.3)
Other Creditors	(10.9)	(9.9)
Corporation Tax	(7.8)	(0.1)
Social Security and Other Taxes	0.8	(2.0)
Accruals and Deferred Income	(25.1)	(26.8)
	(62.7)	(230.5)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	51.1	(4.7)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	1,662.8	1,607.3
<b>Creditors: amounts falling due after more than one year</b>		
Loans	(1,232.7)	(1,231.3)
	430.0	376.0
Provisions for Liability and Charges	(17.4)	(17.7)
Amounts due from Group Undertakings	204.8	220.8
<b>NET ASSETS</b>	617.5	579.1
<b>Capital and Reserves</b>		
Share Capital	84.0	84.0
Revaluation Reserve	328.4	336.7
Other Capital Reserves	7.6	7.6
Subordinated Loan Funding	183.8	179.0
Profit and Loss Reserves	(19.9)	(31.6)
Profit for the period	33.6	3.4
<b>TOTAL SHAREHOLDERS' FUNDS</b>	617.5	579.1

<sup>1</sup> The figures above do not reflect the adjustment for the revaluation of fixed assets at August 2006. This will be reflected in the Q1 2006/07 report.



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**CONSOLIDATED CASH FLOW**

	<u>Quarter 4</u> <u>12 weeks to</u> <u>19 August</u> <u>2006</u> <u>£m</u>	<u>YTD</u> <u>52 weeks to</u> <u>19 August</u> <u>2006</u> <u>£m</u>
Operating profit	35.4	150.6
Depreciation and amortisation	0.9	3.5
Cash flows from exceptional items	(0.5)	(1.8)
(Increase)/decrease in working capital	25.4	6.6
<b>Net Cash Inflow From Operating Activities</b>	61.2	158.9
<b>Returns on Investment and Servicing of Finance</b>		
Interest paid	(19.4)	(77.1)
Interest received	0.9	4.3
	(18.5)	(72.8)
<b>Taxation Payments</b>	-	(1.1)
<b>Capital Expenditure and Financial Investment</b>		
Payments to acquire new pubs	(31.3)	(31.3)
Investment spend on fixed assets	(11.8)	(42.6)
Receipt from sale of fixed assets	2.2	67.5
	(40.9)	(6.4)
<b>Net Cash Inflow Before Financing</b>	1.8	78.6
<b>Financing</b>		
Loan repaid <sup>1</sup>	-	(169.3)
Amounts paid to other group undertakings	-	(25.5)
<b>INCREASE/(DECREASE) IN CASH</b>	1.8	(116.2)

<sup>1</sup> 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 19 August 2006 is 2.10 : 1;
- (c) the FCF Ratio for the two quarters ending on 19 August 2006 is 1.96 :1;
- (d) the Peak Debt Service Ratio for the period of four Financial Quarters ending on 19<sup>th</sup> August 2006 was 1.30 :1;
- (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 19 August 2006 was £433.7m;
- (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): 2.07 : 1

DSCR (for two Financial Quarters): 2.10 : 1

EBITDA: £36.4m

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: £17.8m



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

Free Cash Flow £33.9m  
Outlet EBITDA £40.7m

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)
38.3	53.5
33.9	30.5

Minimum Maintenance CapEx Amount £1.6m per semi-annual period

CapEx Amounts expended £12.3 m for the quarter

Number of Punch Taverns B Mortgaged Properties disposed of or acquired  
Disposed – 4  
Acquired – 25

Number of Pubs in Portfolio 3,037

Weighted Average Return on all CapEx Amounts spent on all trading Pubs from close (in accordance with clause 16.8(a) of IBFA) 19.0%

Excess Cash £74.5m for 52 weeks ended 19<sup>th</sup> August 2006

(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: 3 October 2006

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

.....  
Finance Director

.....  
Director