



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

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2008)

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

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2008)

Introduction

This report covers the 16 week period to 13 December 2008, which is the first quarter of the 2008/09 financial year.

This report is prepared under UK Generally Accepted Accounting Principles ("UK GAAP") and excludes any impact of International Financial Reporting Standards ("IFRS").

Revised Debt Structure

On 23 October 2008, the Punch Taverns (PMH) group concluded a loan note buy-back, the key element of which is as follows:

- £20.4m (including £0.2m accrued interest) used to purchase Class A8 floating rate notes 2033 with principal value of £25.3m.

Profit Commentary

Trading results for the first quarter were as follows:

- **Sales**

Turnover for the 16 week period to 13 December 2008 was £80.7m, of which rent contributed 28.6%, up from 28.0% in Q1 2007/08.

- **Gross profits**

The total gross profit in the 16 week period to 13 December 2008 was £52.7m, which gave a gross profit margin of 65.3%.

- **Operating Margin and EBITDA**

Operating margin for the 16 week period to 13 December 2008 was 54.4%, resulting in an EBITDA of £43.9m.

EBITDA per pub for the rolling 4 quarters is £56,100¹.

EBITDA in total for the 53 week period to 13 December 2008 was £154.4m.

¹ Rolling four quarters covers a 53 week period.



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Estate Portfolio

- During the quarter, three pubs were disposed of individually, for proceeds of £0.7m.

	<u>Quarter 1</u> 16 weeks to 13 December 2008 <u>No</u>	<u>2007/08</u> 53 weeks to 23 August 2008 <u>No</u>
Number of Pubs		
Opening	2,750	2,754
Acquisitions	-	-
Other	-	(1)
Disposals	(3)	(3)
	<u>2,747</u>	<u>2,750</u>

Investment in Pub Estate

	<u>Quarter 1</u> 16 weeks to 13 December 2008 <u>£m</u>	<u>2007/08</u> 53 weeks to 23 August 2008 <u>£m</u>
Payments to acquire new pubs	-	-
Spend on existing pubs	3.2	20.2
Total Spend on Estate	<u>3.2</u>	<u>20.2</u>
Disposal Proceeds¹	<u>0.8</u>	<u>1.6</u>

¹ The proceeds in the current period include £0.1m 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 1</u> 16 weeks to 13 December 2008 £m	<u>Rolling 2 Quarters</u> 29 weeks to 13 December 2008 £m	<u>Rolling 4 Quarters</u> 53 weeks to 13 December 2008 £m
EBITDA	43.9	83.2	154.4
Interest Payable	23.7	43.0	78.9
Interest Receivable	(0.9)	(1.7)	(3.6)
Capital Repayments ¹	-	-	-
	22.8	41.3	75.3
Debt Service Cover Ratio	1.93 : 1	2.01 : 1	2.05 : 1

¹ Capital repayments to commence in December 2009.

Interest and Capital Payments

	<u>Quarter 1</u> 16 weeks to 13 December 2008 £m	<u>2007/08</u> 53 weeks to 23 August 2008 £m
Interest Payments		
A3	3.7	14.8
A6	3.3	13.2
A7	3.0	12.0
A8	4.1	15.9
B1	1.6	6.4
B2	2.2	8.8
C	2.2	9.0
Swap receipts	(0.9)	(4.0)
Other	0.3	1.2
	19.5	77.3

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

	<u>Relevant Period</u> <u>25 weeks ending</u> <u>23 August 2008</u> <u>£m</u>
Free Cash Flow	74.6
Less: Debt Service	(35.5)
Less: current period restriction of R(FCF) to 1.3: 1	(10.7)
Plus: prior period restriction of unapplied excess cash (A-B)	11.9
Excess Cash	<hr/> 40.3
Capex in relevant period	(5.3)
Add: capex funded from DPA	-
Capex required to be funded from excess cash	<hr/> (5.3)
Available Excess Cash:	
Total Permitted Restricted Payment	<hr/> 35.0 <hr/>
Utilisation to date:	
Q1 2008/09 – Repayment of Borrower subordinated loan accrued interest	28.3
Q1 2008/09 – Repayment of Borrower subordinated loan principal	6.7
	<hr/> 35.0 <hr/>



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PROFIT AND LOSS ACCOUNT

	<u>Quarter 1</u> <u>16 weeks to</u> <u>13 December</u> <u>2008</u> <u>£m</u>	<u>2007/08</u> <u>53 weeks to</u> <u>23 August</u> <u>2008²</u> <u>£m</u>
Turnover		
Beer (net of discounts)	46.4	163.8
Rent	23.1	78.4
Machines	2.6	10.3
Other	8.6	30.2
Total Turnover	<u>80.7</u>	<u>282.7</u>
Gross Profit		
Beer	23.6	83.9
Rent	23.1	78.4
Machines	2.6	10.3
Other	3.4	12.5
Total Gross Profit	<u>52.7</u>	<u>185.1</u>
Operating Costs	(8.8)	(25.1)
EBITDA	<u>43.9</u>	<u>160.0</u>
(Loss) / Profit on Disposal	(0.5)	0.7
Impairment of Tangible Fixed assets	-	(30.1)
Depreciation and Amortisation	(1.5)	(4.7)
Exceptional Items ¹	3.2	0.5
Cash Interest Receivable	0.9	4.2
Cash Interest Payable	(23.7)	(79.0)
Non-Cash Interest Income	(0.4)	(1.6)
Subordinated Loan Interest	(8.3)	(28.2)
Profit Before Taxation	<u>13.6</u>	<u>21.8</u>
Taxation	(4.0)	(13.7)
Profit After Taxation	<u>9.6</u>	<u>8.1</u>
Interim Dividend Paid	-	(38.3)
Profit / (Loss) for the Period	<u>9.6</u>	<u>(30.2)</u>

¹ Exceptional items incurred relate to costs incurred on reorganisation of field and central support teams and profit arising on debt buy-back.

² The figures at 23 August 2008 have been restated from those shown in the quarter 4 (August 2008) report to reflect adjustments made on finalisation of underlying statutory accounts. The impact of these adjustments has been to reduce the profit for the period by £27.6m, being -£1.2m onerous lease provision, £30.1m year end revaluation on pubs earmarked for disposal, £0.1m exceptional costs, -£0.2m interest on tax refunds and -£1.2m taxation.



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CONSOLIDATED BALANCE SHEET

	<u>Quarter 1</u> As at 13 December 2008 <u>£m</u>	<u>2007/08</u> As at 23 August 2008 ¹ <u>£m</u>
Fixed Assets		
Investments	-	-
Goodwill	(16.3)	(16.6)
Tangible Fixed Assets	1,698.9	1,698.4
	1,682.6	1,681.8
Debtors		
Trade	15.7	15.9
Prepayments	3.9	4.0
	19.6	19.9
Cash at Bank and In Hand	45.2	79.0
CURRENT ASSETS	64.8	98.9
Creditors: amounts falling due within one year		
Trade Creditors	(2.0)	(1.4)
Other Creditors	(13.4)	(13.5)
Corporation Tax	-	-
Social Security and Other Taxes	(5.4)	(6.4)
Accruals and Deferred Income	(26.2)	(21.9)
	(47.0)	(43.2)
NET CURRENT ASSETS	17.8	55.7
TOTAL ASSETS LESS CURRENT LIABILITIES	1,700.4	1,737.5
Loans	(1,210.9)	(1,235.5)
	489.5	502.0
Provisions for Liability and Charges	(12.5)	(12.5)
Pension – Defined Benefit Liability	(4.5)	(4.5)
Derivative Financial Instrument	(15.5)	(6.6)
Amounts due from Group Undertakings	198.7	203.8
NET ASSETS	655.7	682.2
Capital and Reserves		
Share Capital	84.0	84.0
Revaluation Reserve	388.4	388.7
Other Capital Reserves	7.6	7.6
Hedge Reserve	(10.7)	(1.2)
Subordinated Loan Funding	175.7	202.4
Profit and Loss Reserves	10.7	0.7
TOTAL SHAREHOLDERS' FUNDS	655.7	682.2

¹ The position at 23 August 2008 has been restated from that shown in the quarter 4 (August 2008) report for the finalisation of the underlying statutory accounts. This has had the impact of reducing net assets by £14.6m, being £16.7m year end revaluation, £3.8m deferred taxation, -£1.2m onerous lease provision, -£5.0m corporation tax and £0.3m other intercompany.

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CONSOLIDATED CASH FLOW

	Quarter 1	53 weeks to
	16 weeks to	23 August
	13 December	2008
	2008	2008
	£m	£m
Operating profit	42.4	155.3
Depreciation and amortisation	1.5	4.7
Cash flows from exceptional items	(0.3)	(1.8)
Decrease / (increase) in working capital	(1.4)	(5.9)
Net Cash Inflow From Operating Activities	<u>42.2</u>	<u>152.3</u>
Returns on Investment and Servicing of Finance		
Interest paid	(19.5)	(77.3)
Interest received	1.1	3.7
	<u>(18.4)</u>	<u>(73.6)</u>
Taxation Receipts	-	-
Capital Expenditure and Financial Investment		
Payments to acquire new pubs	-	-
Investment spend on fixed assets	(3.2)	(20.2)
Receipt from sale of fixed assets	0.8	1.6
	<u>(2.4)</u>	<u>(18.6)</u>
Equity Dividends Paid	-	(38.3)
Net Cash Inflow Before Financing	<u>21.4</u>	<u>21.8</u>
Financing		
Loans repaid	(20.2)	-
Amounts paid to other group undertakings	(35.0)	(12.4)
(DECREASE) / INCREASE IN CASH	<u>(33.8)</u>	<u>9.4</u>



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

FINANCIAL RATIO COMPLIANCE CERTIFICATE

To: Deutsche Trustee Company Limited

1. We, Phil Dutton and Giles Thorley 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 13 December 2008 is 2.05 : 1;
 - ii) for the period of two Financial Quarters ending on 13 December 2008 is 2.01 : 1.
- (c) the FCF Ratio:
 - i) for the period of four Financial Quarters ending on 13 December 2008 is 2.02 : 1;
 - ii) for the period of two Financial Quarters ending on 13 December 2008 is 1.99: 1.
- (d) the Peak Debt Service Ratio is not required to be tested until the Financial Quarter ending on 22 August 2009.
- (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 22 August 2009.
- (f) for the purposes of calculating the ratios, above, the following values were relevant for the Financial Quarter just ended:

EBITDA:	£43.9m
Look Back EBITDA	There is no requirement to test this covenant until the last quarter ending prior to June 2022
Debt Service:	£22.8m
Expected Class A Debt Service	There is no requirement to test this covenant until the quarter commencing in August 2028
Interest Charges:	£23.7m



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

Free Cash Flow £43.6m
Outlet EBITDA £48.7m

The average and final balance of each of the New Securitisation Group Entity Accounts:

	Average Balances (£m)	Final Balance (£m)
Operating / Collections Accounts	57.2	44.4
Disposal Proceeds Account	0.8	1.0

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

CapEx Amounts expended £3.9m

Number of Punch Taverns B Mortgaged Properties disposed of or acquired Disposed - 3
Acquired - nil

Number of Pubs in Portfolio 2,747

Weighted Average Return on all CapEx Amounts spent on all trading Pubs from close (in accordance with clause 16.8(a) of IBFA) 7.3%

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: 27 January 2009

Signed for and on behalf of

Punch Taverns (PML) Limited

.....
Finance Director

.....
Director