



PUNCH TAVERNS FINANCE
PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL REPORT – QUARTER 3 (MAY 2010)

CONTENTS

	<i>Page</i>
Introduction	2
Profit Commentary	2
Estate Portfolio	3
Investment in Assets	3
Debt Service Cover Ratio (DSCR)	4
Interest Payments	4
Restricted Payments	5
Profit and Loss Account	6
Consolidated Balance Sheet	7
Consolidated Cash Flow	8
Financial Ratio Compliance Certificate	9 - 11

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PUNCH TAVERNS FINANCE

PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL REPORT – QUARTER 3 (MAY 2010)

Introduction

This report covers the 12 week period to 29 May 2010, which is the third quarter of the 2009/10 financial year.

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

Debt Structure

During the quarter, the Punch Taverns Holdings group cancelled loan notes with principal value of £56.5m.

Profit Commentary

Trading results for the third quarter were as follows:

- **Sales**

Turnover for the 12 week period to 29 May 2010 was £79.4m, of which rent contributed 27.2%.

- **Gross Profits**

The total gross profit in the 12 week period to 29 May 2010 was £49.9m, which gave a gross profit margin of 62.9%.

- **Operating Margin and EBITDA**

Operating margin in the quarter has benefited by £2.8m through support provided by the Punch Taverns plc group.

Operating margin for the rolling 4 quarters to 29 May 2010 was 55.6% resulting in an EBITDA of £196.6m.

EBITDA per pub for the rolling 4 quarters is £55,900.



PUNCH TAVERNS FINANCE
PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL REPORT – QUARTER 3 (MAY 2010)

Estate Portfolio

- During the period, 108 pubs were disposed of for net proceeds of £23.4m.

	<u>QUARTER 3</u> 12 weeks to 29 May 2010	<u>YTD 2009/10</u> 40 weeks to 29 May 2010
Number of Pubs		
Opening	3,366	3,659
Other	-	(3)
Disposals	(108)	(398)
End of Period	<u>3,258</u>	<u>3,258</u>

Investment in Assets

	<u>QUARTER 3</u> 12 weeks to 29 May 2010	<u>YTD 2009/10</u> 40 weeks to 29 May 2010
	<u>£m</u>	<u>£m</u>
Spend on existing pubs	6.3	13.1
Spend on other assets	0.6	1.8
Total Spend on Estate	<u>6.9</u>	<u>14.9</u>
Disposal Proceeds¹	<u>23.6</u>	<u>124.3</u>

¹ The proceeds in the current period include £0.2m (Year to date: £3.6m) relating to land and other sales.



PUNCH TAVERNS FINANCE
PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL REPORT – QUARTER 3 (MAY 2010)

Debt Service Cover Ratio (DSCR)

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

	<u>QUARTER 3</u>	<u>Rolling 2</u> <u>Quarters</u>
	12 weeks to 29 May 2010	24 weeks to 29 May 2010
	<u>£m</u>	<u>£m</u>
EBITDA	41.0	86.8
Interest Payable	27.7	56.6
Interest Receivable	(0.2)	(0.6)
Capital Repayments ¹	2.3	4.5
	29.8	60.5
Debt Service Cover Ratio	1.38:1	1.43:1

¹ Calculated on a forward accruals basis.

Interest Payments

	<u>QUARTER 3</u>	<u>YTD 2009/10</u>
	12 weeks to 29 May 2010	40 weeks to 29 May 2010
	<u>£m</u>	<u>£m</u>
Interest Payments		
A1	4.9	14.7
A2	4.7	14.8
A3 (N)	-	-
B1	2.4	7.4
B2	2.6	8.7
B3	0.3	1.2
C	2.2	7.6
M1	1.9	7.2
M2 (N)	0.8	2.8
D1	0.5	1.5
Swap payments / (receipts)	9.0	27.3
Other	0.9	3.0
	30.2	96.2



PUNCH TAVERNS FINANCE
PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL REPORT – QUARTER 3 (MAY 2010)

Restricted Payments

The following payments were made during the financial year in accordance with the Permitted Restricted Payment terms (Clause 16.4(b) of IBFA):

	<u>Relevant Period</u> <u>52 weeks</u> <u>ending</u> <u>22 August 2009</u> <u>£m</u>
Excess Cash	107.9
Less: Capex in relevant period	(12.0)
Add: Capex funded from DPA	-
Available Excess Cash Amount	<u><u>95.9</u></u>
Restricted Payment Excess Cash	93.2
Tax due on the accrual of interest on the Borrower Subordinated Loans	31.7
	<u>124.9</u>
Less: Restriction to ensure total does not exceed Available Excess Cash Amount	(29.0)
	<u><u>95.9</u></u>
Utilisation to date:	
Q1 2009/10 – Repayment of Borrower subordinated loan accrued interest	52.2
Q2 2009/10 – Repayment of Borrower subordinated loan accrued interest	30.0
Q4 2009/10 – Repayment of Borrower subordinated loan accrued interest	13.7
	<u><u>95.9</u></u>



PUNCH TAVERNS FINANCE
PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

PROFIT AND LOSS ACCOUNT

	<u>QUARTER 3</u> 12 weeks to 29 May 2010	<u>YTD 2009/10</u> 40 weeks to 29 May 2010
	<u>£m</u>	<u>£m</u>
Turnover		
Beer (net of discounts)	47.6	155.5
Rent	21.6	75.5
Machines	1.9	6.5
Other	8.3	26.6
Total Turnover	<u>79.4</u>	<u>264.1</u>
Gross Profit		
Beer	23.1	77.9
Rent	21.6	75.5
Machines	1.9	6.5
Other	3.3	10.5
Total Gross Profit	<u>49.9</u>	<u>170.4</u>
Operating Costs	(8.9)	(24.4)
EBITDA	<u>41.0</u>	<u>146.0</u>
Property Related Losses	(8.7)	(15.7)
Depreciation and Amortisation	(2.3)	(8.1)
Exceptional Income ¹	16.2	40.2
Cash Interest Receivable	0.2	1.0
Cash Interest Payable	(27.7)	(96.9)
Non-Cash Interest Charge	(0.4)	(1.3)
Subordinated Loan Interest	(27.2)	(90.5)
Movement in Fair Value of Interest Rate Swaps	-	1.0
Loss Before Taxation	<u>(8.9)</u>	<u>(24.3)</u>
Taxation	(0.6)	11.9
Loss for the Period	<u><u>(9.5)</u></u>	<u><u>(12.4)</u></u>

¹ Exceptional income relates to profit arising on debt buy-back net of onerous lease provisions and costs incurred on reorganisation of field and central support teams.



PUNCH TAVERNS FINANCE
PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

	As at 29 May 2010	As at 22 August 2009
	£m	£m
Fixed Assets		
Goodwill	(6.2)	(6.6)
Tangible Fixed Assets	2,293.6	2,426.2
	<u>2,287.4</u>	<u>2,419.6</u>
Debtors		
Trade	28.2	28.1
Prepayments	6.0	6.0
Group Relief	-	27.2
	<u>34.2</u>	<u>61.3</u>
Cash at Bank and In Hand	44.7	141.5
CURRENT ASSETS	<u>78.9</u>	<u>202.8</u>
Creditors: amounts falling due within one year		
Loans	(20.9)	(12.5)
Trade Creditors	(3.6)	(2.9)
Other Creditors	(19.3)	(22.4)
Social Security and Other Taxes	(8.0)	(17.6)
Accruals and Deferred Income	(34.6)	(31.0)
	<u>(86.4)</u>	<u>(86.4)</u>
NET CURRENT (LIABILITIES) / ASSETS	<u>(7.5)</u>	<u>116.4</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,279.9</u>	<u>2,536.0</u>
Creditors: amounts falling due after more than one year		
Loans	(1,656.4)	(1,890.7)
Accruals and Deferred Income	(0.5)	(0.7)
Derivative Financial Instruments	(163.8)	(158.6)
Provisions for Liabilities and Charges	(30.2)	(41.8)
Amounts due from Group Undertakings	533.4	525.4
NET ASSETS	<u><u>962.4</u></u>	<u><u>969.6</u></u>
Capital and Reserves		
Share Capital	-	-
Share Premium	2,963.3	2,963.3
Capital Reserve	29.8	30.5
Hedge Reserve	(102.3)	(96.7)
Intercompany Funding ¹	(2,987.9)	(2,987.9)
Revaluation Reserve	430.7	454.8
Subordinated Loan Funding	805.8	797.5
Profit and Loss Reserves	(177.0)	(191.9)
SHAREHOLDERS' FUNDS	<u><u>962.4</u></u>	<u><u>969.6</u></u>

¹ Represents Punch Taverns (PR) Limited intercompany balances with Punch Taverns (PRAF) Limited and Punch Retail (PRAC) Limited.



PUNCH TAVERNS FINANCE
PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED CASH FLOW

	<u>QUARTER 3</u> 12 weeks to 29 May 2010	<u>YTD 2009/10</u> 40 weeks to 29 May 2010
	<u>£m</u>	<u>£m</u>
Operating profit	38.7	137.9
Depreciation and amortisation	2.3	8.1
Cash flows on exceptional items	-	(0.5)
Increase in working capital	(2.5)	(24.9)
Net Cash Inflow from Operating Activities	<u>38.5</u>	<u>120.6</u>
Returns on Investment and Servicing of Finance		
Interest paid	(30.2)	(96.2)
Interest received	0.3	0.9
	<u>(29.9)</u>	<u>(95.3)</u>
Taxation Receipts	-	27.2
Capital Expenditure and Financial Investment		
Investment spend on fixed assets	(6.9)	(14.9)
Receipt from sale of fixed assets	29.3	135.2
	<u>22.4</u>	<u>120.3</u>
Net Cash Inflow Before Financing	31.0	172.8
Financing		
Loans repaid	(42.2)	(181.9)
Swap break costs	-	(5.5)
Amounts paid to other group undertakings	-	(82.2)
	<u>(42.2)</u>	<u>(269.6)</u>
NET DECREASE IN CASH	<u><u>(11.2)</u></u>	<u><u>(96.8)</u></u>



PUNCH TAVERNS FINANCE
PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL RATIO COMPLIANCE CERTIFICATE

To: Security Trustee

1. We, Phil Dutton and Ed Bashforth, each being a director of Punch Partnerships (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 29 May 2010 is 1.43:1
- (b) for the purposes of calculating the above, the following values are relevant for the Financial Quarter just ended:

	<u>Relevant Period</u> 24 weeks to 29 May 2010 £m
Debt Service (£m)	60.5
Interest Charges (£m)	56.6
EBITDA (£m)	86.8

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

Outlet EBITDA	£46.3m	
The average and final balance of each of the Securitisation Group Entity Accounts:	Average Balance (£m)	Final Balance (£m)
Acquisition Reserve A/c	-	-
Disposal Proceeds A/c	17.1	7.2
Controlled Cash A/c	20.0	20.1
Stamp Duty Reserve A/c	-	-
Collections A/c	28.1	21.3
Payments A/c	(5.0)	(4.2)



PUNCH TAVERNS FINANCE
PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)

CapEx Amounts expended	£7.6m for the quarter (Minimum Maintenance CapEx Amount required of £4.3m per annum)
Number of Punch Taverns Mortgaged Properties disposed of or acquired	Disposals - 108 Acquisitions - nil
Number of Pubs in Portfolio	3,258
Weighted Average Return on all CapEx Amounts spent on all trading Pubs (in accordance with clause 16.8(c) of IBFA)	15.0%
Free Cash Flow	Not tested this quarter
Excess Cash	Not tested this quarter
Restricted Payment Excess Cash	Not tested this quarter
Net Worth	Not tested this quarter

- (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;



PUNCH TAVERNS FINANCE
PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)

2. In accordance with Clause 16.1(o) of the Issuer / Borrower Facility Agreements, we confirm that:

- (a) no material amendments made to the Material Contracts since the Fourth Closing Date;
- (b) no Material Contracts entered into since the Fourth Closing Date;
- (c) there have been 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.