



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

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**FINANCIAL REPORT – QUARTER 1 (DECEMBER 2009)**

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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 – QUARTER 1 (DECEMBER 2009)**

**Introduction**

This report covers the 16 week period to 12 December 2009, which is the first 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 £96.9m.

**Profit Commentary**

Trading results for the first quarter were as follows:

- **Sales**

Turnover for the 16 week period to 12 December 2009 was £108.1m, of which rent contributed 29.2%.

- **Gross Profits**

The total gross profit in the 16 week period to 12 December 2009 was £68.9m, which gave a gross profit margin of 63.7%.

- **Operating Margin and EBITDA**

Operating margin for the rolling 4 quarters to 12 December 2009 was 56.2% resulting in an EBITDA of £214.9m.

EBITDA per pub for the rolling 4 quarters is £56,900.



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**Estate Portfolio**

- During the period, 193 pubs were disposed of for net proceeds of £68.6m and three pubs were converted to unlicensed properties.

|                       | <u>QUARTER 1</u><br>16 weeks to<br>12 December<br>2009 | <u>2008/09</u><br>52 weeks to<br>22 August<br>2009 |
|-----------------------|--|--|
| <b>Number of Pubs</b> |  |  |
| Opening               | 3,659  | 4,022  |
| Acquisitions          | -  | 170  |
| Other                 | (3)  | (2)  |
| Disposals             | (193)  | (531)  |
| <b>End of Period</b>  | <u><u>3,463</u></u>                                    | <u><u>3,659</u></u>                                |

**Investment in Assets**

|                                      | <u>QUARTER 1</u><br>16 weeks to<br>12 December<br>2009<br><u>£m</u> | <u>2008/09</u><br>52 weeks to<br>22 August<br>2009<br><u>£m</u> |
|--------------------------------------|---|---|
| Payments to acquire new pubs         | 0.0   | 74.6  |
| Spend on existing pubs               | 4.0   | 9.9   |
| Spend on other assets                | 0.5   | 2.1   |
| <b>Total Spend on Estate</b>         | <u><u>4.5</u></u>   | <u><u>86.6</u></u>  |
| <b>Disposal Proceeds<sup>1</sup></b> | <u><u>69.8</u></u>  | <u><u>248.6</u></u>   |

<sup>1</sup> The proceeds in the current period include £1.2m 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>                                | <u>Rolling 2</u><br><u>Quarters</u>             |
|---------------------------------|---|---|
|                                 | 16 weeks to<br>12 December<br>2009<br><u>£m</u> | 28 weeks to<br>12 December<br>2009<br><u>£m</u> |
| <b>EBITDA</b>                   | <u>59.2</u>                                     | <u>109.8</u>                                    |
| Interest Payable                | 40.2  | 71.0  |
| Interest Receivable             | (0.4)   | (0.9)   |
| Capital Repayments <sup>1</sup> | 3.5   | 6.5   |
|                                 | <u>43.3</u>                                     | <u>76.6</u>                                     |
| <b>Debt Service Cover Ratio</b> | <b>1.37:1</b>                                   | <b>1.43:1</b>                                   |

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

**Interest Payments**

|                            | <u>QUARTER 1</u>                                | <u>2008/09</u>                                |
|----------------------------|---|---|
|                            | 16 weeks to<br>12 December<br>2009<br><u>£m</u> | 52 weeks to<br>22 August<br>2009<br><u>£m</u> |
| <b>Interest Payments</b>   |   |   |
| A1                         | 4.9   | 19.6  |
| A2                         | 5.3   | 20.4  |
| A3 (N)                     | -   | 1.7   |
| B1                         | 2.6   | 10.4  |
| B2                         | 3.0   | 12.6  |
| B3                         | 0.5   | 7.4   |
| C                          | 3.1   | 13.4  |
| M1                         | 2.8   | 11.5  |
| M2 (N)                     | 1.2   | 16.7  |
| D1                         | 0.6   | 6.0   |
| Swap payments / (receipts) | 8.8   | 14.1  |
| Other                      | 1.1   | 4.2   |
|                            | <u>33.9</u>                                     | <u>138.0</u>                                  |



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**Restricted Payments**

The following payments 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><br><u>52 weeks</u><br><u>ending</u><br><u>22 August 2009</u><br><u>£m</u> |
|--|--|
| Excess Cash  | 107.9  |
| Less: Capex in relevant period   | (12.0)   |
| Add: Capex funded from DPA   | -  |
| <b>Available Excess Cash Amount</b>  | <u><u>95.9</u></u>   |
| <br>   |  |
| 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>   |
| <br>   |  |
| <b>Utilisation to date:</b>  |  |
| Q1 2009/10 – Repayment of Borrower subordinated loan accrued interest          | 52.2   |
| Q2 2009/10 – Repayment of Borrower subordinated loan accrued interest          | 10.0   |
|  | <u><u>62.2</u></u>   |



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**PROFIT AND LOSS ACCOUNT**

|                                     | <u>QUARTER 1</u><br>16 weeks to<br>12<br>December<br><u>£m</u> | <u>2008/09</u><br>52 weeks to<br>22 August<br>2009 <sup>2</sup><br><u>£m</u> |
|-------------------------------------|--|--|
| <b>Turnover</b>                     |  |  |
| Beer (net of discounts)             | 62.9   | 232.5  |
| Rent                                | 31.6   | 120.3  |
| Machines                            | 2.7  | 10.7   |
| Other                               | 10.9   | 37.8   |
| <b>Total Turnover</b>               | <u>108.1</u>   | <u>401.3</u>   |
| <b>Gross Profit</b>                 |  |  |
| Beer                                | 30.4   | 115.4  |
| Rent                                | 31.6   | 120.3  |
| Machines                            | 2.7  | 10.7   |
| Other                               | 4.2  | 15.8   |
| <b>Total Gross Profit</b>           | <u>68.9</u>  | <u>262.2</u>   |
| Operating Costs                     | (9.7)  | (34.6)   |
| <b>EBITDA</b>                       | <u>59.2</u>  | <u>227.6</u>   |
| Property Related Profits / (Losses) | (1.1)  | (197.3)  |
| Depreciation and Amortisation       | (3.4)  | (11.6)   |
| Exceptional Income <sup>1</sup>     | 14.6   | 21.6   |
| Cash Interest Receivable            | 0.4  | 2.1  |
| Cash Interest Payable               | (40.2)   | (137.1)  |
| Non-Cash Interest Charge            | (0.6)  | -  |
| Subordinated Loan Interest          | (36.4)   | (113.2)  |
| <b>Loss Before Taxation</b>         | <u>(7.5)</u>   | <u>(207.9)</u>   |
| Taxation                            | 1.8  | (4.3)  |
| <b>Loss After Taxation</b>          | <u>(5.7)</u>   | <u>(212.2)</u>   |
| Interim Dividends Paid              | -  | (55.4)   |
| <b>Loss for the Period</b>          | <u><u>(5.7)</u></u>  | <u><u>(267.6)</u></u>  |

<sup>1</sup> Exceptional income relates to profit arising on debt buy-back and costs incurred on reorganisation of field and central support teams.

<sup>2</sup> The figures at 22 August 2009 have been restated from those shown in the quarter 4 (August 2009) report, to reflect adjustments made on finalisation of underlying statutory accounts. The impact of these adjustments has been to increase the loss by £9.2m, being £1.7m hedge reserve recycling, £8.1m deferred tax and -£0.6m corporation tax.



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

|  | As at<br>12<br>December<br>2009<br><u>£m</u> | As at<br>22 August<br>2009 <sup>2</sup><br><u>£m</u> |
|--|--|--|
| <b>Fixed Assets</b>  |  |  |
| Goodwill   | (6.5)  | (6.6)  |
| Tangible Fixed Assets  | 2,355.9                                      | 2,426.2  |
|  | <u>2,349.4</u>                               | <u>2,419.6</u>                                       |
| <b>Debtors</b>   |  |  |
| Trade  | 40.3   | 28.1   |
| Prepayments  | 5.9  | 6.0  |
| Group Relief   | -  | 27.2   |
|  | <u>46.2</u>                                  | <u>61.3</u>  |
| Cash at Bank and In Hand                                       | 107.7  | 141.5  |
| <b>CURRENT ASSETS</b>  | <u>153.9</u>                                 | <u>202.8</u>   |
| <b>Creditors: amounts falling due within one year</b>          |  |  |
| Loans  | (11.0)                                       | (12.5)   |
| Trade Creditors  | (3.6)  | (2.9)  |
| Other Creditors  | (20.4)                                       | (22.4)   |
| Social Security and Other Taxes                                | (16.5)                                       | (17.6)   |
| Accruals and Deferred Income                                   | (40.7)                                       | (31.0)   |
|  | <u>(92.2)</u>                                | <u>(86.4)</u>  |
| <b>NET CURRENT ASSETS</b>                                      | 61.7   | 116.4  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   | <u>2,411.1</u>                               | <u>2,536.0</u>                                       |
| <b>Creditors: amounts falling due after more than one year</b> |  |  |
| Loans  | (1,793.4)                                    | (1,890.7)  |
| Accruals and Deferred Income                                   | (0.5)  | (0.7)  |
|  | <u>(1,793.9)</u>                             | <u>(1,891.4)</u>                                     |
| Derivative Financial Instruments                               | (158.6)                                      | (158.6)  |
| Provisions for Liabilities and Charges                         | (39.9)                                       | (39.9)   |
| Amounts due from Group Undertakings                            | 530.1  | 524.0  |
| <b>NET ASSETS</b>  | <u><u>948.8</u></u>                          | <u><u>969.9</u></u>                                  |
| <b>Capital and Reserves</b>                                    |  |  |
| Share Capital  | -  | -  |
| Share Premium  | 2,963.3                                      | 2,963.3  |
| Capital Reserve  | 30.2   | 30.5   |
| Hedge Reserve  | (96.7)                                       | (96.7)   |
| Intercompany Funding <sup>1</sup>                              | (2,987.9)                                    | (2,987.9)  |
| Revaluation Reserve  | 455.6  | 454.8  |
| Subordinated Loan Funding                                      | 781.7  | 797.5  |
| Profit and Loss Reserves                                       | (197.4)                                      | (191.6)  |
| <b>SHAREHOLDERS' FUNDS</b>                                     | <u><u>948.8</u></u>                          | <u><u>969.9</u></u>                                  |

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

<sup>2</sup> The figures at 22 August 2009 have been restated from those shown in the quarter 4 (August 2009) report, to reflect adjustments made on finalisation of underlying statutory accounts. The impact of these adjustments has been to reduce net assets by £8.5m, being £9.1m deferred tax and -£0.6m corporation tax. Within net assets, having no impact overall, £0.8m trade debtors and £0.4m prepayments transferred from group undertakings and £0.2m of accruals transferred to group undertakings. Within shareholders' funds, having no impact overall, £2.6m transferred from the hedge reserve to the profit and loss reserve.



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**CONSOLIDATED CASH FLOW**

|   | <u>QUARTER 1</u><br>16 weeks to<br>12 December<br>2009<br><u>£m</u> | <u>2008/09</u><br>52 weeks to<br>22 August<br>2009<br><u>£m</u> |
|---|---|---|
| Operating profit                                      | 55.8  | 216.1   |
| Depreciation and amortisation                         | 3.4   | 11.6  |
| Cash flows on exceptional items                       | (0.1)   | (2.1)   |
| Increase in working capital                           | (15.1)  | (0.4)   |
| <b>Net Cash Inflow from Operating Activities</b>      | <u>44.0</u>   | <u>225.2</u>  |
| <b>Returns on Investment and Servicing of Finance</b> |   |   |
| Interest paid   | (33.9)  | (138.0)   |
| Interest received                                     | 0.1   | 2.3   |
|   | <u>(33.8)</u>   | <u>(135.7)</u>  |
| <b>Taxation Receipts</b>                              | 27.2  | -   |
| <b>Capital Expenditure and Financial Investment</b>   |   |   |
| Payments to acquire new pubs                          | -   | (74.6)  |
| Investment spend on fixed assets                      | (4.5)   | (12.0)  |
| Receipt from sale of fixed assets                     | 70.1  | 248.6   |
|   | <u>65.6</u>   | <u>162.0</u>  |
| <b>Equity Dividends Paid</b>                          | -   | (55.4)  |
| <b>Net Cash Inflow Before Financing</b>               | <u>103.0</u>  | <u>196.1</u>  |
| <b>Financing</b>                                      |   |   |
| Loans repaid  | (84.6)  | (118.1)   |
| Amounts paid to other group undertakings              | (52.2)  | (18.1)  |
|   | <u>(136.8)</u>  | <u>(136.2)</u>  |
| <b>NET (DECREASE) / INCREASE IN CASH</b>              | <u><u>(33.8)</u></u>  | <u><u>59.9</u></u>  |



**PUNCH TAVERNS FINANCE**  
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**FINANCIAL RATIO COMPLIANCE CERTIFICATE**

To: Security Trustee

1. We, Phil Dutton and Giles Thorley, 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 12 December 2009 is 1.43:1
- (b) for the purposes of calculating the above, the following values are relevant for the Financial Quarter just ended:

|                       | <b>Relevant Period</b><br><b>28 weeks to</b><br><b>12 December</b><br><b>2009</b><br><b>£m</b> |
|-----------------------|--|
| Debt Service (£m)     | 76.6   |
| Interest Charges (£m) | 71.0   |
| EBITDA (£m)           | 109.8  |

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

|  |                             |                           |
|--|-----------------------------|---------------------------|
| Outlet EBITDA  | £63.2m                      |                           |
| The average and final balance of each of the Securitisation Group Entity Accounts: | <b>Average Balance (£m)</b> | <b>Final Balance (£m)</b> |
|  | Acquisition Reserve A/c     | -                         |
|  | Disposal Proceeds A/c       | 39.8                      |
|  | Controlled Cash A/c         | 20.0                      |
|  | Stamp Duty Reserve A/c      | -                         |
|  | Collections A/c             | 49.6                      |
|  | Payments A/c                | (0.9)                     |
|  |                             |                           |



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**FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)**

|  |  |
|--|--|
| CapEx Amounts expended   | £5.9m for the quarter (Minimum Maintenance CapEx Amount required of £4.3m per annum) |
| Number of Punch Taverns Mortgaged Properties disposed of or acquired   | Disposals - 193<br>Acquisitions - nil  |
| Number of Pubs in Portfolio  | 3,463  |
| Weighted Average Return on all CapEx Amounts spent on all trading Pubs (in accordance with clause 16.8(c) of IBFA) | 12.2%  |
| 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;



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**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.