



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

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2008)

CONTENTS

| | <i>Page</i> |
|--|-------------|
| Introduction | 2 |
| Profit Commentary | 2 |
| Estate Portfolio | 3 |
| Investment in Assets | 3 |
| Debt Service Cover Ratio (DSCR) | 4 |
| Interest and Capital Payments | 4 |
| Restricted Payments | 5 |
| Profit and Loss Account | 6 |
| Consolidated Balance Sheet | 7 |
| Consolidated Cash Flow | 8 |
| Financial Ratio Compliance Certificate | 9 - 10 |

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without the written authority of Punch Taverns plc**



PUNCH TAVERNS FINANCE PUNCH TAVERNS HOLDINGS 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 13 October 2008, the Punch Taverns Holdings group concluded a loan note buy-back, the key elements of which are as follows:

- 143 pubs disposed to other companies within the Punch Taverns plc group, for £80.0m;
- £74.3m (including £1.1m of accrued interest) used to purchase Class A3(N) floating rate notes 2015 with principal value of £77.1m.

Subsequent to the quarter end, on 17 December 2008, £10.0m of Class C notes were repurchased and redeemed at a cash cost of £2.0m.

Profit Commentary

Trading results for the first quarter were as follows:

- **Sales**

Turnover for the 16 week period to 13 December 2008 was £127.2m, of which rent contributed 31.1%, up from 30.6% in the 16 week period to 8 December 2007.

- **Gross Profits**

The total gross profit in the 16 week period to 13 December 2008 was £84.3m, which gave a gross profit margin of 66.3%, compared to a gross profit margin of 66.2% in the first quarter of the prior year.

- **Operating Margin and EBITDA**

Operating margin for the rolling 4 quarters to 13 December 2008 was 58.8% resulting in an EBITDA of £258.0m¹.

EBITDA per pub for the rolling 4 quarters is £64,400¹.

¹ Rolling 4 quarters covers a 53 week period.



PUNCH TAVERNS FINANCE
PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2008)

Estate Portfolio

- During the period, 143 pubs were disposed, to other companies within the Punch Taverns group, for proceeds of £80.0m, five pubs were disposed of individually, for proceeds of £1.7m and one pub was converted to an unlicensed property.

| | <u>QUARTER 1</u> 16 weeks to 13 December 2008 | <u>2007/08</u> 53 weeks to 23 August 2008 |
|-----------------------|--|--|
| Number of Pubs | | |
| Opening | 4,022 | 4,035 |
| Acquisitions | - | - |
| Other | (1) | (3) |
| Disposals | (148) | (10) |
| End of Period | <u>3,873</u> | <u>4,022</u> |

Investment in Assets

| | <u>QUARTER 1</u> 16 weeks to 13 December 2008 £m | <u>2007/08</u> 53 weeks to 23 August 2008 £m |
|--------------------------------------|---|---|
| Spend on existing pubs | 3.0 | 25.4 |
| Spend on other assets | 0.4 | 4.3 |
| Total Spend on Estate | <u>3.4</u> | <u>29.7</u> |
| Disposal Proceeds¹ | <u>82.1</u> | <u>7.8</u> |

¹ The proceeds in the current period include £0.4m relating to land and other sales.



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

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2008)

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> |
|---------------------------------|------------------|------------------|
| | 16 weeks to | 29 weeks to |
| | 13 December | 13 December |
| | 2008 | 2008 |
| | <u>£m</u> | <u>£m</u> |
| EBITDA | <u>71.9</u> | <u>138.0</u> |
| Interest Payable | 43.2 | 78.9 |
| Interest Receivable | (1.2) | (2.5) |
| Capital Repayments ¹ | 5.5 | 13.6 |
| | <u>47.5</u> | <u>90.0</u> |
| Debt Service Cover Ratio | 1.51:1 | 1.53:1 |

¹ Calculated on a forward accruals basis.

Interest and Capital Payments

| | <u>QUARTER 1</u> | <u>2007/08</u> |
|-------------------------------|------------------|----------------|
| | 16 weeks to | 53 weeks to |
| | 13 December | 23 August |
| | 2008 | 2008 |
| | <u>£m</u> | <u>£m</u> |
| Interest Payments | | |
| A1 | 4.9 | 19.6 |
| A2 | 5.1 | 20.5 |
| A3 (N) | 1.4 | 7.1 |
| B1 | 2.6 | 10.5 |
| B2 | 3.2 | 12.6 |
| B3 | 2.7 | 11.3 |
| C | 3.5 | 14.0 |
| M1 | 3.0 | 11.8 |
| M2 (N) | 6.1 | 25.4 |
| D1 | 2.1 | 8.7 |
| Swap payments / (receipts) | 0.3 | (0.1) |
| Other | 0.9 | 3.9 |
| | <u>35.8</u> | <u>145.3</u> |
| Capital Repayments | | |
| A3 (N) – scheduled repayments | <u>1.4</u> | <u>31.5</u> |



PUNCH TAVERNS FINANCE
PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2008)

Restricted Payments

The following payments to Punch Taverns Intermediate Holdings 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>53 weeks</u> <u>ending</u> <u>23 August 2008</u> <u>£m</u> |
|--|--|
| Excess Cash | 94.7 |
| Less: Capex in relevant period | (29.7) |
| Add: Capex funded from DPA | 8.5 |
| Available Excess Cash Amount | 73.5 |
| | |
| Restricted Payment Excess Cash | 77.8 |
| Tax due on the accrual of interest on the Borrower Subordinated Loans | 29.6 |
| | 107.4 |
| Less: Restriction to ensure total does not exceed Available Excess Cash Amount | (33.9) |
| | 73.5 |
| | |
| Utilisation to date: | |
| Q1 2008/09 – Payment of interim dividends to parent company | 55.4 |
| Q2 2008/09 – Repayment of Borrower subordinated loan accrued interest | 10.0 |
| | 65.4 |



PUNCH TAVERNS FINANCE
PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

PROFIT AND LOSS ACCOUNT

| | <u>QUARTER 1</u> 16 weeks to 13 December 2008 | <u>2007/08</u> 53 weeks to 23 August 2008 ² |
|-------------------------------------|---|--|
| | <u>£m</u> | <u>£m</u> |
| Turnover | | |
| Beer (net of discounts) | 72.5 | 257.6 |
| Rent | 39.5 | 136.3 |
| Machines | 3.6 | 13.3 |
| Other | 11.6 | 40.8 |
| Total Turnover | 127.2 | 448.0 |
| Gross Profit | | |
| Beer | 36.6 | 131.1 |
| Rent | 39.5 | 136.3 |
| Machines | 3.6 | 13.3 |
| Other | 4.6 | 16.8 |
| Total Gross Profit | 84.3 | 297.5 |
| Operating Costs | (12.4) | (30.5) |
| EBITDA | 71.9 | 267.0 |
| Loss on Disposal | (10.1) | (4.3) |
| Impairment of Tangible Fixed Assets | - | (43.0) |
| Depreciation and Amortisation | (3.6) | (11.5) |
| Exceptional Costs ¹ | (0.9) | (1.0) |
| Cash Interest Receivable | 1.2 | 4.0 |
| Cash Interest Payable | (43.2) | (146.5) |
| Non-Cash Interest (Charge) / Credit | (0.2) | 2.1 |
| Subordinated Loan Interest | (33.2) | (101.2) |
| Loss Before Taxation | (18.1) | (34.4) |
| Taxation | 2.2 | 16.0 |
| Loss After Taxation | (15.9) | (18.4) |
| Interim Dividends Paid | (55.4) | - |
| Loss for the Period | (71.3) | (18.4) |

¹ Exceptional costs 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 by £22.7m, being -£0.9m onerous lease adjustments, £43.0m year end revaluation on pubs earmarked for disposal and -£19.4m taxation.



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

CONSOLIDATED BALANCE SHEET

| | As at 13 December 2008 £m | As at 23 August 2008² £m |
|--|--|--|
| Fixed Assets | | |
| Goodwill | (7.0) | (7.2) |
| Tangible Fixed Assets | 2,698.0 | 2,791.1 |
| | <u>2,691.0</u> | <u>2,783.9</u> |
| Debtors | | |
| Trade | 22.5 | 24.1 |
| Prepayments | 7.9 | 10.3 |
| | <u>30.4</u> | <u>34.4</u> |
| Cash at Bank and In Hand | 71.8 | 81.6 |
| CURRENT ASSETS | <u>102.2</u> | <u>116.0</u> |
| Creditors: amounts falling due within one year | | |
| Loans | (22.0) | (32.3) |
| Trade Creditors | (4.0) | (3.8) |
| Other Creditors | (25.5) | (26.8) |
| Social Security and Other Taxes | (13.2) | (11.7) |
| Accruals and Deferred Income | (45.1) | (44.7) |
| | <u>(109.8)</u> | <u>(119.3)</u> |
| NET CURRENT LIABILITIES | (7.6) | (3.3) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>2,683.4</u> | <u>2,780.6</u> |
| Creditors: amounts falling due after more than one year | | |
| Loans | (1,950.5) | (2,017.5) |
| Accruals and Deferred Income | (1.1) | (0.7) |
| | <u>(1,951.6)</u> | <u>(2,018.2)</u> |
| Derivative Financial Instruments | (119.2) | (99.5) |
| Provisions for Liabilities and Charges | (54.2) | (54.2) |
| Amounts due from Group Undertakings | 564.5 | 570.2 |
| | <u>564.5</u> | <u>570.2</u> |
| NET ASSETS | <u><u>1,122.9</u></u> | <u><u>1,178.9</u></u> |
| Capital and Reserves | | |
| Share Capital | - | - |
| Share Premium | 2,963.3 | 2,963.3 |
| Capital Reserve | 31.1 | 31.3 |
| Hedge Reserve | (75.6) | (56.5) |
| Intercompany Funding ¹ | (2,987.9) | (2,987.9) |
| Revaluation Reserve | 474.5 | 475.4 |
| Subordinated Loan Funding | 735.6 | 702.4 |
| Profit and Loss Reserves | (18.1) | 50.9 |
| TOTAL SHAREHOLDERS' FUNDS | <u><u>1,122.9</u></u> | <u><u>1,178.9</u></u> |

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

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 increase net assets by £16.4m, being -£4.5m year end revaluation, £0.9m onerous lease provision, -£10.0m deferred taxation, £30.0m corporation tax.



PUNCH TAVERNS FINANCE
PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED CASH FLOW

| | <u>QUARTER 1</u> 16 weeks to 13 December 2008 £m | <u>YTD 2007/08</u> 53 weeks to 23 August 2008 £m |
|---|--|--|
| Operating profit | 68.3 | 255.5 |
| Depreciation and amortisation | 3.6 | 11.5 |
| Cash flows on exceptional items | (0.5) | (3.6) |
| Decrease / (increase) in working capital | 4.5 | (15.1) |
| Net Cash Inflow From Operating Activities | 75.9 | 248.3 |
| Returns on Investment and Servicing of Finance | | |
| Interest paid | (35.8) | (145.3) |
| Interest received | 1.4 | 3.7 |
| | (34.4) | (141.6) |
| Taxation Payments | - | - |
| Capital Expenditure and Financial Investment | | |
| Investment spend on fixed assets | (3.4) | (29.7) |
| Receipt from sale of fixed assets | 82.1 | 7.8 |
| | 78.7 | (21.9) |
| Equity Dividends Paid | (55.4) | - |
| Net Cash Inflow Before Financing | 64.8 | 84.8 |
| Financing | | |
| Loans repaid | (74.6) | (31.5) |
| Amounts paid to other group undertakings | - | (37.0) |
| | (74.6) | (68.5) |
| NET (DECREASE) / INCREASE IN CASH | (9.8) | 16.3 |



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

FINANCIAL RATIO COMPLIANCE CERTIFICATE

To: Security Trustee

1. We, Phil Dutton and Giles Thorley each being a director of Punch Taverns (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 13 December 2008 was 1.53 : 1
- (b) for the purposes of calculating the above, the following values were relevant for the Financial Quarter just ended:

| | <u>Relevant Period</u> 29 weeks to 13 December 2008 |
|-----------------------|--|
| Debt Service (£m) | 90.0 |
| Interest Charges (£m) | 78.9 |
| EBITDA (£m) | 138.0 |

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

| Outlet EBITDA | £78.9m | | | | | | | | | | | | | | | | | | | | | |
|--|--|---------------------------|-----------------------------|---------------------------|-------------------------|---|---|-----------------------|-----|-----|---------------------|------|------|------------------------|---|---|-----------------|------|------|--------------|-------|-------|
| The average and final balance of each of the Securitisation Group Entity Accounts: | <table border="1"> <thead> <tr> <th></th> <th align="center">Average Balance (£m)</th> <th align="center">Final Balance (£m)</th> </tr> </thead> <tbody> <tr> <td>Acquisition Reserve A/c</td> <td align="center">-</td> <td align="center">-</td> </tr> <tr> <td>Disposal Proceeds A/c</td> <td align="center">8.6</td> <td align="center">6.5</td> </tr> <tr> <td>Controlled Cash A/c</td> <td align="center">20.4</td> <td align="center">20.2</td> </tr> <tr> <td>Stamp Duty Reserve A/c</td> <td align="center">-</td> <td align="center">-</td> </tr> <tr> <td>Collections A/c</td> <td align="center">59.1</td> <td align="center">46.9</td> </tr> <tr> <td>Payments A/c</td> <td align="center">(4.9)</td> <td align="center">(1.1)</td> </tr> </tbody> </table> | | Average Balance (£m) | Final Balance (£m) | Acquisition Reserve A/c | - | - | Disposal Proceeds A/c | 8.6 | 6.5 | Controlled Cash A/c | 20.4 | 20.2 | Stamp Duty Reserve A/c | - | - | Collections A/c | 59.1 | 46.9 | Payments A/c | (4.9) | (1.1) |
| | Average Balance (£m) | Final Balance (£m) | | | | | | | | | | | | | | | | | | | | |
| Acquisition Reserve A/c | - | - | | | | | | | | | | | | | | | | | | | | |
| Disposal Proceeds A/c | 8.6 | 6.5 | | | | | | | | | | | | | | | | | | | | |
| Controlled Cash A/c | 20.4 | 20.2 | | | | | | | | | | | | | | | | | | | | |
| Stamp Duty Reserve A/c | - | - | | | | | | | | | | | | | | | | | | | | |
| Collections A/c | 59.1 | 46.9 | | | | | | | | | | | | | | | | | | | | |
| Payments A/c | (4.9) | (1.1) | | | | | | | | | | | | | | | | | | | | |
| CapEx Amounts expended | £4.5m for the quarter (Minimum Maintenance CapEx Amount required of £4.8m per annum) | | | | | | | | | | | | | | | | | | | | | |
| Number of Punch Taverns Mortgaged Properties disposed of or acquired | Disposals – 149 Acquisitions – nil | | | | | | | | | | | | | | | | | | | | | |
| Number of Pubs in Portfolio | 3,873 | | | | | | | | | | | | | | | | | | | | | |
| Weighted Average Return on all CapEx Amounts spent on all trading Pubs (in accordance with clause 16.8(c) of IBFA) | 10.3% | | | | | | | | | | | | | | | | | | | | | |



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

| | |
|--------------------------------|-------------------------|
| 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;
- 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.

Dated: 27 January 2009

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

.....
Finance Director

.....
Director