



SPIRIT ISSUER

PUNCH PUB COMPANY (PUBS) LIMITED AND PUNCH PARTNERSHIPS (PUBS)
LIMITED

FINANCIAL REPORT – QUARTER 2 (MARCH 2010)

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**PUNCH PUB COMPANY (PUBS) LIMITED AND PUNCH PARTNERSHIPS (PUBS)
LIMITED**

FINANCIAL REPORT – QUARTER 2 (MARCH 2010)

Introduction

The Borrower Group Estate (defined below) in respect of the Spirit Issuer debenture bond issued in November 2004, ended its second quarter of the 2009/10 financial year on 6 March 2010. This report covers the 12 week period to that date.

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

The pubs operated under the lease style of operation are owned by Punch Partnerships (Pubs) Limited, the pubs operated under the managed style of operation are owned by Punch Pub Company (Pubs) Limited, together they form the "Borrower Group Estate".

Revised Debt Structure

During the quarter, the Borrower Group cancelled loan notes with a principal value of £28.6m.

Profit Commentary

Trading results for the second quarter were as follows:

- **Sales**

Net sales for the 12 weeks to 6 March 2010 totalled £117.7m for the managed division, which comprised 674 pubs at the quarter end and £21.0m for the leased division, which comprised 572 pubs at the quarter end, as reported.

Average turnover per pub for the second financial quarter of the 2009/10 financial year was £173k for the managed division.

- **EBITDA**

Managed EBITDA amounted to £16.5m and leased EBITDA to £10.2m for the quarter, after divisional overheads.



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Estate Portfolio

- During the quarter, within the managed estate, nine pubs were disposed of for net proceeds of £16.4m. Within the leased estate, six pubs were disposed of for net proceeds of £1.6m.

	<u>Quarter 2</u> <u>Managed pubs</u> 12 weeks to 6 March 2010	<u>Quarter 2</u> <u>Leased pubs</u> 12 weeks to 6 March 2010	<u>Quarter 2</u> <u>Managed and</u> <u>Leased pubs</u> 12 weeks to 6 March 2010	<u>YTD 2009/10</u> <u>Managed and</u> <u>Leased pubs</u> 28 weeks to 6 March 2010
Number of Pubs				
Opening	683	578	1,261	1,301
Disposals	(9)	(6)	(15)	(55)
End of Period	<u>674</u>	<u>572</u>	<u>1,246</u>	<u>1,246</u>

Investment in Assets

	<u>Quarter 2</u> 12 weeks to 6 March 2010	<u>YTD 2009/10</u> 28 weeks to 6 March 2010
	<u>£m</u>	<u>£m</u>
Spend on existing pubs	9.2	21.2
Total Spend on Estate	<u>9.2</u>	<u>21.2</u>
Disposal Proceeds	<u>18.3</u>	<u>39.8</u>

¹ The proceeds in the current period include £0.3m (Year to date: £0.7m) relating to land and other sales.



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Debt Service Cover Ratio (DSCR)

The DSCR is calculated upon the actual performance of the current estate at the financial quarter end. It is calculated as follows:

	<u>Rolling 4 Quarters</u> 52 weeks to 6 March 2010
	<u>£m</u>
EBITDA	132.8
Less: capex	(15.3)
Plus: interest received	0.4
Free cash flow	<u>117.9</u>
Actual debt service	59.7
Synthetic debt service	73.0
Debt service cover ratio (Default basis)	<u>1.97</u>
Debt service cover ratio (OpFlex basis)	<u>1.62</u>



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Interest Payments

	<u>Quarter 2</u> 12 weeks to 6 March 2010	<u>YTD 2009/10</u> 28 weeks to 6 March 2010
	<u>£m</u>	<u>£m</u>
Interest Payments		
A1	0.3	0.8
A2	0.8	1.9
A3	1.7	3.4
A4	4.4	8.9
A5	3.1	6.0
Swap costs	5.3	10.0
Other	1.1	2.3
	<u>16.7</u>	<u>33.3</u>



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PROFIT AND LOSS ACCOUNT

MANAGED DIVISION	<u>Quarter 2</u> 12 weeks to 6 March 2010	<u>YTD 2009/10</u> 28 weeks to 6 March 2010
	<u>£m</u>	<u>£m</u>
Turnover		
Drink (net of discounts)	65.7	158.0
Food (net of discounts)	46.3	112.9
Machines	2.7	5.8
Other	3.0	8.3
Total Turnover	<u>117.7</u>	<u>285.0</u>
Gross margin	82.8	199.7
Pub costs	(54.7)	(131.1)
Rent payable	(6.3)	(15.4)
Outlet EBITDA	<u>21.8</u>	<u>53.2</u>
Managed overheads	(5.3)	(12.4)
Managed EBITDA	<u>16.5</u>	<u>40.8</u>
LEASED DIVISION		
Turnover		
Beer (net of discounts)	12.0	28.8
Rent	5.7	13.2
Machines	0.9	2.2
Other	2.4	6.1
Total Turnover	<u>21.0</u>	<u>50.3</u>
Gross Profit		
Beer	5.3	12.9
Rent	5.7	13.2
Machines	0.9	2.2
Other	0.9	2.4
Total Gross Profit	<u>12.8</u>	<u>30.7</u>
Leased costs (including overheads)	(2.6)	(6.4)
Leased EBITDA	<u>10.2</u>	<u>24.3</u>
Combined EBITDA	<u>26.7</u>	<u>65.1</u>
Administrative fee	(0.3)	(0.7)
Property related profit / (loss)	1.6	(5.5)
Depreciation and amortisation – managed division	(9.4)	(22.3)
Depreciation and amortisation – leased division	(0.5)	(1.2)
Exceptional items ¹	12.2	27.2
Interest payable on debenture	(14.9)	(35.8)
Intercompany interest payable	(29.5)	(67.6)
Other interest receivable	0.3	0.4
Movement in the fair value of interest rate swaps	(5.6)	(5.6)
Loss Before Taxation	<u>(19.4)</u>	<u>(46.0)</u>
Taxation	(6.8)	(6.8)
Loss After Taxation	<u>(26.2)</u>	<u>(52.8)</u>

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



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PUNCH PUB COMPANY (PUBS) LIMITED AND PUNCH PARTNERSHIPS (PUBS) LIMITED

AGGREGATED BALANCE SHEET

	As at 6 March 2010 <u>£m</u>	As at 22 August 2009 ¹ <u>£m</u>
Tangible Fixed Assets	1,637.1	1,684.2
Stocks	5.4	5.9
Debtors	20.3	18.4
Cash	35.4	64.1
Creditors due within one year	<u>(61.8)</u>	<u>(78.5)</u>
Current assets less current liabilities	(0.7)	9.9
 Total operating assets	 1,636.4	 1,694.1
Creditors due after more than one year	(8.3)	(11.7)
Securitised debt due after more than one year	(917.9)	(996.2)
Deferred tax	8.8	6.2
Provisions for liabilities and charges	(18.1)	(13.5)
Defined benefit pension scheme	(5.1)	(29.5)
Derivative financial instrument	(107.5)	(103.2)
Amounts due to group undertakings	<u>(984.0)</u>	<u>(918.9)</u>
	(2,032.1)	(2,066.8)
 NET LIABILITIES	 <u>(395.7)</u>	 <u>(372.7)</u>
 Capital and Reserves		
Share Capital	-	-
Revaluation Reserve	(89.1)	(88.7)
Capital Contribution	153.3	153.3
Other Reserves	(41.3)	(41.3)
Profit and Loss Reserves	(418.6)	(396.0)
 SHAREHOLDERS' DEFICIT	 <u>(395.7)</u>	 <u>(372.7)</u>

¹ The prior year figures have been restated to reflect adjustments made on finalisation of underlying statutory accounts. The impact of these adjustments has been to increase net assets by £0.1m, being £0.1m finalisation of deferred taxation.



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AGGREGATED CASH FLOW

	<u>Quarter 2</u> 12 weeks to 6 March 2010	<u>YTD 2009/10</u> 28 weeks to 6 March 2010
	<u>£m</u>	<u>£m</u>
Operating profit	16.5	40.9
Depreciation and amortisation	9.9	23.5
Increase in working capital	(21.2)	(35.1)
Net Cash Inflow from Operating Activities	<u>5.2</u>	<u>29.3</u>
Returns on Investment and Servicing of Finance		
Interest paid	(16.7)	(33.3)
Interest received	-	0.1
	<u>(16.7)</u>	<u>(33.2)</u>
Taxation Receipts	6.5	6.5
Capital Expenditure and Financial Investment		
Investment spend on fixed assets	(9.2)	(21.2)
Receipt from sale of fixed assets	17.9	45.3
	<u>8.7</u>	<u>24.1</u>
Net Cash Inflow Before Financing	<u>3.7</u>	<u>26.7</u>
Financing		
Loans repaid	(19.6)	(55.3)
NET DECREASE IN CASH	<u>(15.9)</u>	<u>(28.6)</u>



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PUNCH PUB COMPANY (PUBS) LIMITED AND PUNCH PARTNERSHIPS (PUBS) LIMITED

FINANCIAL RATIO COMPLIANCE CERTIFICATE

To: Security Trustee

- 1 We, Phil Dutton and Neil Preston, each being a director of Punch Pub Company (Pubs) Limited and Punch Partnerships (Pubs) Limited, HEREBY CERTIFY without incurring any personal liability for the same, that for the Financial Quarter just ended:
- (a) the Debt Service Cover Ratio (Default) for the period of four Financial Quarters ending on 6 March 2010 was 1.97:1 (both with and without any Additional Properties);
 - (b) the Debt Service Cover Ratio (Opflex) for the period of four Financial Quarters ending on 6 March 2010 was 1.62:1;
 - (c) the Adjusted Debt Service Cover Ratio (Default) for the period of two Financial Quarters ending on 6 March 2010 was 1.75:1;
 - (d) the Loan-to-Value Ratio expressed as a percentage calculated in accordance with Clause 15.1 of the Issuer / Borrower Facility Agreement for the Financial Quarter commencing on 13 December 2009 and ending on 6 March 2010 was 58.8% (both with and without any Additional Properties);
 - (e) in addition, the following values were relevant for the Financial Quarter just ended:

The average and final balance of the Borrower's accounts	Managed Borrower Average - £29.1m Final - £23.9m Leased Borrower Average - £6.6m Final - £10.1m
CapEx Amounts expended	£13.6m for the quarter
Unspent CapEx amounts	£nil
Number of Punch Taverns Mortgaged Properties disposed of or acquired	Disposals - 15 Acquisitions - nil
Number of Pubs in Portfolio	1,246
Disposal Proceeds Account balance	Managed Borrower £0.9m Leased Borrower £1.7m

- (f) As of the date of this Certificate, no Borrower Group Event of Default or Potential Borrower Group 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 14.1(b) of the Issuer/Borrower Facility Agreement, we confirm that there have been:
- (a) no material amendments made to the Material Contracts since the date of the last Financial Ratio Compliance Certificate;
 - (b) no Material Contracts entered into since the date of the last Financial Ratio Compliance Certificate;
 - (c) no Material Contracts assigned since the date of the last Financial Ratio Compliance Certificate, for which consent to assign was required.
- 3 The number of Borrower Mortgaged Properties which have been converted by the Leased Borrower from Managed Pubs to Tenanted Pubs in accordance with the terms of the IBFA since July 2006 is 623.
- 4 The number of Borrower Mortgaged Properties which have been converted by the Leased Borrower from Managed Pubs to Tenanted Pubs in accordance with the terms of the IBFA since the previous Financial Quarter is nil.
- 5 The amounts owed by each Borrower under the Term Advances and the LoanCo / Borrower Subordinated Loan are:

Issuer/ Borrower Facility Agreement	Managed Borrower	Leased Borrower
Term A1 Loan	£90.2m	£54.5m
Term A2 Loan	£115.9m	£72.7m
Term A3 Loan	£40.0m	£80.3m
Term A4 Loan	£194.6m	£67.5m
Term A5 Loan	£105.4m	£96.9m
LoanCo / Borrower Subordinated Loan	£180.7m	£369.3m



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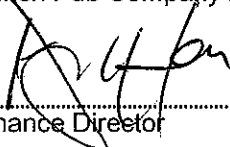
**PUNCH PUB COMPANY (PUBS) LIMITED AND PUNCH PARTNERSHIPS (PUBS)
LIMITED**


FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)

- 6 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 Schedule dated 25 November 2004 (as amended and restated with effect from the Effective Date and as may be further amended or varied from time to time).

Dated: 20 April 2010

Signed for and on behalf of
Punch Pub Company (Pubs) Limited and Punch Partnerships (Pubs) Limited


.....
Finance Director


.....
Director

