



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

FINANCIAL REPORT – QUARTER 4 (AUGUST 2011)

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without the written authority of Punch Taverns plc**



PUNCH TAVERNS FINANCE B
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FINANCIAL REPORT – QUARTER 4 (AUGUST 2011)

Introduction

This report covers the 12 week period to 20 August 2011, which is the fourth quarter of the 2010/11 financial year.

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

Profit Commentary

Trading results for the fourth quarter were as follows:

- **Sales**

Turnover for the 12 week period to 20 August 2011 was £46.8m, of which rent contributed 24.6%.

- **Gross Profits**

The total gross profit in the 12 week period to 20 August 2011 was £37.1m, which gave a gross profit margin of 79.3%.

- **Operating Margin and EBITDA**

Operating margin in the quarter has benefited by £9.3m through support provided by the Punch Taverns plc group.

Operating margin for the rolling 4 quarters to 20 August 2011 was 65.5% resulting in an EBITDA of £135.5m.



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Estate Portfolio

- During the period, 40 pubs were individually disposed of and three pubs were converted to unlicensed properties.

	<u>Quarter 4</u> 12 weeks to 20 August 2011	<u>2010/11</u> 52 weeks to 20 August 2011
Number of Pubs		
Opening	2,082	2,178
Other	(3)	(5)
Disposals	(40)	(134)
End of Period	<u>2,039</u>	<u>2,039</u>

Investment in Pub Estate

	<u>Quarter 4</u> 12 weeks to 20 August 2011 <u>£m</u>	<u>2010/11</u> 52 weeks to 20 August 2011 <u>£m</u>
Spend on existing pubs	3.4	19.3
Total Spend on Estate	<u>3.4</u>	<u>19.3</u>
Disposal Proceeds	<u>9.3</u>	<u>28.9</u>



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Debt Service Cover Ratio (DSCR)

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

	<u>Quarter 4</u>	<u>Rolling 2</u>	<u>Rolling 4</u>
	<u>12 weeks to</u>	<u>Quarters</u>	<u>Quarters</u>
	<u>20 August</u>	<u>24 weeks to</u>	<u>52 weeks to</u>
	<u>2011</u>	<u>20 August</u>	<u>20 August</u>
	<u>£m</u>	<u>2011</u>	<u>2011</u>
		<u>£m</u>	<u>£m</u>
EBITDA	<u>31.8</u>	<u>60.2</u>	<u>135.5</u>
Interest Payable	14.0	28.0	60.7
Interest Receivable	(0.1)	(0.2)	(0.4)
Capital Repayments ¹	6.0	11.8	28.0
	<u>19.9</u>	<u>39.6</u>	<u>88.3</u>
Debt Service Cover Ratio	1.60:1	1.52:1	1.53:1

¹ Calculated on a forward accruals basis.

Interest Payments

	<u>Quarter 4</u>	<u>2010/11</u>
	<u>12 weeks to</u>	<u>52 weeks to</u>
	<u>20 August</u>	<u>20 August</u>
	<u>2011</u>	<u>2011</u>
	<u>£m</u>	<u>£m</u>
Interest Payments		
A3	3.7	14.8
A6	3.3	13.2
A7	2.3	9.5
A8	0.2	0.6
B1	1.3	5.2
B2	1.7	6.8
C	0.6	2.4
Swap payments	1.9	7.8
Other	0.2	1.0
	<u>15.2</u>	<u>61.3</u>



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Restricted Payments

The following payments could be made subject to the Permitted Restricted Payment terms (Clause 16.4(b) of IBFA):

	<u>Relevant Period</u> <u>24 weeks</u> <u>ending</u> <u>20 August 2011</u> <u>£m</u>
Free Cash Flow	53.3
Less: Debt Service	(39.6)
Less: current period restriction of R(FCF) to 1.1: 1	(4.0)
Plus: prior period restriction of unapplied excess cash	4.9
Excess Cash	<hr/> 14.6
Capex in the period	(9.0)
Add: capex funded from DPA	-
Capex required to be funded from excess cash	<hr/> (9.0)
Available Excess Cash	<hr/> <hr/> 5.6



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PROFIT AND LOSS ACCOUNT

	<u>Quarter 4</u> 12 weeks to 20 August 2011 £m	<u>2010/11</u> 52 weeks to 20 August 2011 £m
Turnover		
Beer (net of discounts)	28.0	123.5
Rent	11.5	52.6
Machines	1.2	5.4
Other	6.1	25.4
Total Turnover	46.8	206.9
Gross Profit		
Beer	21.9	89.2
Rent	11.5	52.6
Machines	1.2	5.4
Other	2.5	10.1
Total Gross Profit	37.1	157.3
Operating Costs	(5.3)	(21.8)
EBITDA	31.8	135.5
Impairment of Tangible Fixed Assets	(77.6)	(77.6)
Property Related Losses	(2.5)	(6.2)
Depreciation and Amortisation	(0.6)	(3.0)
Exceptional Items	(0.6)	7.0
Cash Interest Receivable	0.1	0.4
Cash Interest Payable	(14.0)	(60.7)
Non-Cash Interest Charge	(0.4)	(1.3)
Subordinated Loan Interest	(6.9)	(30.6)
Movement in Fair Value of Interest Rate Swaps	(5.3)	(1.1)
Loss Before Taxation	(76.0)	(37.6)
Taxation	20.3	9.4
Loss for the Period	(55.7)	(28.2)



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CONSOLIDATED BALANCE SHEET

	As at 20 August 2011 £m	As at 21 August 2010 £m
Fixed Assets		
Goodwill	(13.7)	(14.7)
Tangible Fixed Assets	1,107.5	1,314.0
	<u>1,093.8</u>	<u>1,299.3</u>
Debtors		
Trade	8.7	11.1
Prepayments	3.3	1.9
	<u>12.0</u>	<u>13.0</u>
Cash at Bank and In Hand	30.6	37.1
CURRENT ASSETS	42.6	50.1
Creditors: amounts falling due within one year		
Loans	(29.0)	(26.8)
Trade Creditors	(1.6)	(3.4)
Other Creditors	(10.5)	(11.0)
Social Security and Other Taxes	(3.5)	(4.6)
Accruals and Deferred Income	(17.2)	(17.3)
Derivative Financial Instrument	(7.2)	(7.1)
	<u>(69.0)</u>	<u>(70.2)</u>
NET CURRENT LIABILITIES	(26.4)	(20.1)
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,067.4</u>	<u>1,279.2</u>
Amounts due from Group Undertakings	244.5	220.3
Creditors: amounts falling due after more than one year		
Loans	(915.9)	(969.5)
Provisions for Liabilities and Charges	(9.3)	(10.9)
Pension – Defined Benefit Liability	(5.9)	(6.6)
Derivative Financial Instrument	(34.7)	(28.7)
Subordinated Loan Funding	(201.4)	(199.5)
NET ASSETS	<u>144.7</u>	<u>284.3</u>
Capital and Reserves		
Share Capital	84.0	84.0
Revaluation Reserve	224.5	341.4
Other Capital Reserves	7.6	7.6
Hedge Reserve	(19.6)	(16.0)
Profit and Loss Reserves	(151.8)	(132.7)
SHAREHOLDERS' FUNDS	<u>144.7</u>	<u>284.3</u>



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CONSOLIDATED CASH FLOW

	Quarter 4 12 weeks to 20 August 2011 £m	2010/11 52 weeks to 20 August 2011 £m
Operating profit	31.2	132.5
Depreciation and amortisation	0.6	3.0
Cash flows from exceptional items	(0.5)	(0.4)
Increase in working capital	<u>(3.0)</u>	<u>(7.6)</u>
Net Cash Inflow from Operating Activities	28.3	127.5
Returns on Investment and Servicing of Finance		
Interest paid	(15.2)	(61.3)
Interest received	<u>0.1</u>	<u>0.4</u>
	(15.1)	(60.9)
Taxation Payments	(1.0)	(6.3)
Capital Expenditure and Financial Investment		
Investment spend on fixed assets	(3.4)	(19.3)
Receipt from sale of fixed assets	<u>8.6</u>	<u>27.9</u>
	5.2	8.6
Net Cash Inflow Before Financing	17.4	68.9
Financing		
Loans repaid	(7.1)	(46.7)
Amounts paid to other group undertakings	<u>-</u>	<u>(28.7)</u>
	(7.1)	(75.4)
NET INCREASE / (DECREASE) IN CASH	<u>10.3</u>	<u>(6.5)</u>



**PUNCH TAVERNS FINANCE B
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FINANCIAL RATIO COMPLIANCE CERTIFICATE

To: Deutsche Trustee Company Limited

1. We, Steve Dando and Ed Bashforth, each being a director of Punch Partnerships (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 20 August 2011 was 1.53:1
 - ii) for the period of two Financial Quarters ending on 20 August 2011 was 1.52:1
- (c) the FCF Ratio:
 - i) for the period of four Financial Quarters ending on 20 August 2011 was 1.45:1
 - ii) for the period of two Financial Quarters ending on 20 August 2011 was 1.35:1
- (e) the Net Worth of the New Securitisation Group calculated in accordance with Clause 15.3 of the Issuer / Borrower Facility Agreement for the Financial Quarter ending on 20 August 2011 was £409.8m.
- (f) for the purposes of calculating the above, the following values were relevant for the Financial Quarter just ended:

EBITDA:	£31.8m
Look Back EBITDA:	There is no requirement to test this covenant until the last quarter ending prior to June 2022
Debt Service (£m)	£19.9m
Expected Class A Debt Service	There is no requirement to test this covenant until the quarter commencing in August 2028
Interest Charges (£m)	£14.0m



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FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)

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

Free Cash Flow £31.2m
 Outlet EBITDA £34.9m

The average and final balance of each of the
 Securitisation Group Entity Accounts:
 Operating / Collections A/cs
 Disposal Proceeds A/c
 Capex Reserve A/c

Average Balance (£m)	Final Balance (£m)
13.2	19.7
11.1	11.1
-	-

Minimum Maintenance CapEx Amount £1.3m per semi-annual period
 CapEx Amounts expended £4.4m for the quarter
 Number of Punch Taverns B Mortgaged Properties disposed of or acquired Disposals - 40
 Acquisitions - nil
 Number of Pubs in Portfolio 2,039
 Weighted Average Return on all CapEx Amounts spent on all trading Pubs (in accordance with clause 16.8(c) of IBFA) 9.5%
 Excess Cash £14.6m

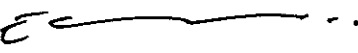
(h) as of the date of this Certificate, no Borrower Event of Default or Potential Borrower Event of Default (which, in either case, has not previously been notified to the Borrower Security Trustee) has occurred;

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: 4th October 2011

Signed for and on behalf of
 Punch Partnerships (PML) Limited


 Finance Director


 Director