



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

FINANCIAL REPORT – QUARTER 4 (AUGUST 2008)

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

FINANCIAL REPORT – QUARTER 4 (AUGUST 2008)

Introduction

This report covers the 13 week period to 23 August 2008, which is the fourth quarter of the 2007/08 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 13 week period to 23 August 2008 was £69.2m, of which rent contributed 27.1% up from 26.5% in Q4 2006/07.

- **Gross profits**

The total gross profit in the 13 week period to 23 August 2008 was £44.8m, which gave a gross profit margin of 64.8%, compared to a gross margin of 64.9% in the fourth quarter of 2006/07.

- **Operating Margin and EBITDA**

Operating margin for the 13 week period to 23 August 2008 was 56.8%, resulting in an EBITDA of £39.3m.

EBITDA per pub for the rolling 4 quarters is £58,200¹, up from £56,000 at the same point in 2006/07.

EBITDA in total for the 53 week period to 23 August 2008 was £160.0m.

¹ The current financial year covers a 53 week period.



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Estate Portfolio

- During the quarter, one pub was transferred to an unlicensed property.

	<u>Quarter 4</u> 13 weeks to 23 August 2008 <u>No</u>	<u>YTD</u> 53 weeks to 23 August 2008 <u>No</u>
Number of Pubs		
Opening	2,751	2,754
Acquisitions	-	-
Other	(1)	(1)
Disposals	-	(3)
	<u>2,750</u>	<u>2,750</u>

Investment in Pub Estate

	<u>Quarter 4</u> 13 weeks to 23 August 2008 <u>£m</u>	<u>YTD</u> 53 weeks to 23 August 2008 <u>£m</u>
Payments to acquire new pubs	-	-
Spend on existing pubs	3.5	20.2
Total Spend on Estate	<u>3.5</u>	<u>20.2</u>
Disposal Proceeds¹	<u>0.4</u>	<u>1.6</u>

¹ The proceeds in the current period include £0.4m (year to date: £0.9m) 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 4</u> 13 weeks to 23 August 2008 £m	<u>Rolling 2 Quarters</u> 25 weeks to 23 August 2008 £m	<u>Rolling 4 Quarters</u> 53 weeks to 23 August 2008 £m
EBITDA	39.3	75.6	160.0
Interest Payable	19.3	37.2	79.0
Interest Receivable	(0.8)	(1.7)	(4.0)
Capital Repayments ¹	-	-	-
	18.5	35.5	75.0
Debt Service Cover Ratio	2.12 : 1	2.13 : 1	2.13 : 1

¹ Capital repayments to commence in December 2009

Interest and Capital Payments

	<u>Quarter 4</u> 13 weeks to 23 August 2008 £m	<u>YTD 2007/08</u> 53 weeks to 23 August 2008 £m
Interest Payments		
A3	3.7	14.8
A6	3.3	13.2
A7	3.0	12.0
A8	3.9	15.9
B1	1.6	6.4
B2	2.2	8.8
C	2.2	9.0
Swap receipts	(0.9)	(4.0)
Other	0.3	1.2
	19.3	77.3

Capital repayments do not commence until December 2009.



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Restricted Payments

The following payments to Punch Taverns (PMH) 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>25 weeks ending</u> <u>23 August 2008</u> <u>£m</u>
Free Cash Flow	74.6
Less: Debt Service	(35.5)
Less: current period restriction of R(FCF) to 1.3: 1	(10.7)
Plus: prior period restriction of unapplied excess cash (A-B)	11.9
Excess Cash	<hr/> 40.3
Capex in relevant period	(5.3)
Add: capex funded from DPA	-
Capex required to be funded from excess cash	<hr/> (5.3)
Available Excess Cash:	<hr/> 35.0
Total Permitted Restricted Payment	<hr/> <hr/> 35.0
Utilisation to date:	
Q1 2008/09 – Payment of interim dividend to parent company	<hr/> <hr/> 35.0



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PROFIT AND LOSS ACCOUNT

	<u>Quarter 4</u> <u>13 weeks to</u> <u>23 August</u> <u>2008</u> <u>£m</u>	<u>YTD 2007/08</u> <u>53 weeks to</u> <u>23 August</u> <u>2008</u> <u>£m</u>
Turnover		
Beer (net of discounts)	40.2	163.8
Rent	18.8	78.4
Machines	2.3	10.3
Other	7.9	30.2
Total Turnover	69.2	282.7
Gross Profit		
Beer	20.5	83.9
Rent	18.8	78.4
Machines	2.3	10.3
Other	3.2	12.5
Total Gross Profit	44.8	185.1
Operating Costs	(5.5)	(25.1)
EBITDA	39.3	160.0
Profit on Disposal	0.1	0.7
Depreciation and Amortisation	(1.1)	(4.7)
Exceptional Items ¹	(0.1)	(0.6)
Cash Interest Receivable	0.8	4.0
Cash Interest Payable	(19.3)	(79.0)
Non-Cash Interest Income	(0.4)	(1.6)
Subordinated Loan Interest	(7.2)	(28.2)
Profit Before Taxation	12.1	50.6
Taxation	(3.9)	(14.9)
Profit After Taxation	8.2	35.7
Interim Dividend Paid	-	(38.3)
Profit / (Loss) for the Period	8.2	(2.6)

¹ Exceptional items incurred relate to costs incurred on reorganisation of field and central support teams.



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CONSOLIDATED BALANCE SHEET

	<u>Quarter 4</u> As at 23 August 2008 ² £m	<u>2006/07</u> As at 18 August 2007 ¹ £m
Fixed Assets		
Investments	-	1.1
Goodwill	(16.6)	(17.6)
Tangible Fixed Assets	1,715.1	1,701.8
	1,698.5	1,685.3
Debtors		
Trade	15.9	22.3
Prepayments	4.2	5.9
	20.1	28.2
Derivative Financial Instrument	-	11.8
Cash at Bank and In Hand	79.0	69.6
CURRENT ASSETS	99.1	109.6
Creditors: amounts falling due within one year		
Trade Creditors	(1.4)	(4.9)
Other Creditors	(13.5)	(14.4)
Corporation Tax	(0.1)	(0.1)
Social Security and Other Taxes	(6.4)	(3.2)
Accruals and Deferred Income	(22.0)	(20.2)
	(43.4)	(42.8)
NET CURRENT ASSETS	55.7	66.8
TOTAL ASSETS LESS CURRENT LIABILITIES	1,754.2	1,752.1
Loans	(1,235.5)	(1,234.1)
	518.7	518.0
Provisions for Liability and Charges	(9.9)	(16.5)
Pension – Defined Benefit Liability	(4.5)	(2.7)
Derivative Financial Instrument	(6.6)	-
Amounts due from Group Undertakings	199.1	200.2
NET ASSETS	696.8	699.0
Capital and Reserves		
Share Capital	84.0	84.0
Revaluation Reserve	375.4	374.6
Other Capital Reserves	7.6	7.6
Hedge Reserve	(1.2)	11.8
Subordinated Loan Funding	202.4	186.5
Profit and Loss Reserves	28.6	34.5
TOTAL SHAREHOLDERS' FUNDS	696.8	699.0

¹ The position at 18 August 2007 has been restated for the finalisation of the underlying statutory accounts. This has had the impact of reducing net assets by £2.1m, being (£1.9m) tangible fixed assets, £0.3m deferred taxation and £3.7m corporation tax.

² The figures above do not reflect the year end adjustment for the revaluation of fixed assets at August 2008. This will be reflected in the Q1 2008/09 report.



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CONSOLIDATED CASH FLOW

	<u>Quarter 4</u> 13 weeks to 23 August 2008 <u>£m</u>	<u>YTD</u> 53 weeks to 23 August 2008 <u>£m</u>
Operating profit	38.2	155.3
Depreciation and amortisation	1.1	4.7
Cash flows from exceptional items	(0.3)	(1.8)
Decrease / (increase) in working capital	4.3	(5.9)
Net Cash Inflow From Operating Activities	43.3	152.3
Returns on Investment and Servicing of Finance		
Interest paid	(19.3)	(77.3)
Interest received	0.9	3.7
	(18.4)	(73.6)
Taxation Receipts	-	-
Capital Expenditure and Financial Investment		
Payments to acquire new pubs	-	-
Investment spend on fixed assets	(3.5)	(20.2)
Receipt from sale of fixed assets	0.4	1.6
	(3.1)	(18.6)
Equity Dividends Paid	-	(38.3)
Net Cash Inflow Before Financing	21.8	21.8
Financing		
Amounts paid to other group undertakings	-	(12.4)
INCREASE IN CASH	21.8	9.4



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FINANCIAL RATIO COMPLIANCE CERTIFICATE

To: Deutsche Trustee Company Limited

1. We, Phil Dutton and Neil Preston each being a director of Punch Taverns (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 23 August 2008 is 2.13 : 1;
 - ii) for the period of two Financial Quarters ending on 23 August 2008 is 2.13 : 1.
- (c) the FCF Ratio:
 - i) for the period of four Financial Quarters ending on 23 August 2008 is 2.10 : 1;
 - ii) for the period of two Financial Quarters ending on 23 August 2008 is 2.10 : 1.
- (d) the Peak Debt Service Ratio for the period of four Financial Quarters ending on 23 August 2008 is 1.41:1.
- (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 23 August 2008 is £506.7m.
- (f) for the purposes of calculating the ratios, above, the following values were relevant for the Financial Quarter just ended:

EBITDA:	£39.3m
Look Back EBITDA	There is no requirement to test this covenant until the last quarter ending prior to June 2022
Debt Service:	£18.5m
Expected Class A Debt Service	There is no requirement to test this covenant until the quarter commencing in August 2028
Interest Charges:	£19.3m



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

Free Cash Flow £38.3m
 Outlet EBITDA £41.8m

The average and final balance of each of the New Securitisation Group Entity Accounts:

	Average Balances (£m)	Final Balance (£m)
Operating / Collections Accounts	66.4	79.1
Disposal Proceeds Account	0.2	0.3

Minimum Maintenance CapEx Amount £1.6m per semi-annual period

CapEx Amounts expended £4.1m

Number of Punch Taverns B Mortgaged Properties disposed of or acquired Disposed - 1
 Acquired - nil

Number of Pubs in Portfolio 2,750

Weighted Average Return on all CapEx Amounts spent on all trading Pubs from close (in accordance with clause 16.8(a) of IBFA) 9.1%

Excess Cash £82.2m for the 53 weeks ended 23 August 2008

(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;



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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: 7 October 2008

Signed for and on behalf of

Punch Taverns (PML) Limited

.....
Finance Director

.....
Director