



PUNCH TAVERNS FINANCE
PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2010)

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Introduction

This report covers the 16 week period to 11 December 2010, which is the first 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 first quarter were as follows:

- **Sales**

Turnover for the 16 week period to 11 December 2010 was £98.6m, of which rent contributed 28.8%.

- **Gross Profits**

The total gross profit in the 16 week period to 11 December 2010 was £69.9m, which gave a gross profit margin of 70.9%.

- **Operating Margin and EBITDA**

Operating margin in the quarter has benefited by £12.1m through support provided by the Punch Taverns plc group.

Operating margin for the rolling 4 quarters to 11 December 2010 was 57.0% resulting in an EBITDA of £189.8m.



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Estate Portfolio

- During the period, 59 pubs were disposed of for net proceeds of £14.8m and one pub was converted from an unlicensed property.

	<u>QUARTER 1</u> 16 weeks to 11 December 2010	<u>2009/10</u> 52 weeks to 21 August 2010
Number of Pubs		
Opening	3,147	3,659
Other	1	(3)
Disposals	(59)	(509)
End of Period	<u>3,089</u>	<u>3,147</u>

Investment in Assets

	<u>QUARTER 1</u> 16 weeks to 11 December 2010 £m	<u>2009/10</u> 52 weeks to 21 August 2010 £m
Spend on existing pubs	9.5	23.5
Spend on other assets	0.4	2.2
Total Spend on Estate	<u>9.9</u>	<u>25.7</u>
Disposal Proceeds	<u>16.0</u>	<u>151.2</u>

¹ 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>
	<u>16 weeks to</u>	<u>Quarters</u>
	<u>11 December</u>	<u>28 weeks to</u>
	<u>2010</u>	<u>11 December</u>
	<u>£m</u>	<u>2010</u>
		<u>£m</u>
EBITDA	61.2	103.0
Interest Payable	34.8	61.8
Interest Receivable	(0.1)	(0.3)
Capital Repayments ¹	5.5	7.6
	<u>40.2</u>	<u>69.1</u>
Debt Service Cover Ratio	1.52:1	1.49:1

¹ Calculated on a forward accruals basis.

Interest Payments

	<u>QUARTER 1</u>	<u>2009/10</u>
	<u>16 weeks to</u>	<u>52 weeks to</u>
	<u>11 December</u>	<u>21 August</u>
	<u>2010</u>	<u>2010</u>
	<u>£m</u>	<u>£m</u>
Interest Payments		
A1	4.9	19.6
A2	4.8	19.5
B1	1.6	9.7
B2	2.5	11.3
B3	0.4	1.6
C	1.6	9.3
M1	1.8	9.1
M2 (N)	0.9	3.6
D1	0.4	1.9
Swap payments	8.9	36.3
Other	1.0	4.0
	<u>28.8</u>	<u>125.9</u>



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Restricted Payments

The following payments could be made in accordance with the Permitted Restricted Payment terms (Clause 16.4(b) of IBFA):

	<u>Relevant Period</u> <u>52 weeks</u> <u>ending</u> <u>21 August 2010</u> <u>£m</u>
Excess Cash	55.6
Less: Capex in relevant period	(25.8)
Add: Capex funded from DPA	-
Available Excess Cash Amount	<u><u>29.8</u></u>



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PROFIT AND LOSS ACCOUNT

	<u>QUARTER 1</u> 16 weeks to 11 December 2010	<u>2009/10</u> 52 weeks to 21 August 2010 ¹
	<u>£m</u>	<u>£m</u>
Turnover		
Beer (net of discounts)	57.6	201.8
Rent	28.4	96.9
Machines	2.2	8.1
Other	10.4	35.7
Total Turnover	98.6	342.5
Gross Profit		
Beer	35.4	99.9
Rent	28.4	96.9
Machines	2.2	8.1
Other	3.9	14.1
Total Gross Profit	69.9	219.0
Operating Costs	(8.7)	(31.2)
EBITDA	61.2	187.8
Impairment of Tangible Fixed Assets	-	(27.3)
Property Related Loss	(0.5)	(31.9)
Depreciation and Amortisation	(3.0)	(11.6)
Exceptional Items	4.3	39.4
Cash Interest Receivable	0.1	1.2
Cash Interest Payable	(34.8)	(123.8)
Non-Cash Interest Charge	(0.6)	(8.2)
Subordinated Loan Interest	(37.0)	(118.3)
Movement in Fair Value of Interest Rate Swaps	-	8.3
Loss Before Taxation	(10.3)	(84.4)
Taxation	4.0	27.4
Loss for the Period	(6.3)	(57.0)

¹ The figures at 21 August 2010 have been restated from those shown in the quarter 4 (August 2010) report, to reflect adjustments made on finalisation of underlying statutory accounts. The impact of these adjustments has been to reduce the loss by £95.7m, being £112.1m revaluation adjustment to the revaluation reserve, £9.9m deferred tax and -£26.3m corporation tax.



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CONSOLIDATED BALANCE SHEET

	As at 11 December 2010 £m	As at 21 August 2010¹ £m
Fixed Assets		
Goodwill	(5.9)	(6.1)
Tangible Fixed Assets	2,089.1	2,100.0
	2,083.2	2,093.9
Debtors		
Trade	11.5	16.7
Prepayments	7.0	5.6
	18.5	22.3
Cash at Bank and In Hand	51.6	52.4
CURRENT ASSETS	70.1	74.7
Creditors: amounts falling due within one year		
Loans	(25.1)	(25.0)
Trade Creditors	(4.2)	(5.6)
Other Creditors	(17.8)	(18.1)
Social Security and Other Taxes	(14.3)	(5.7)
Accruals and Deferred Income	(30.2)	(27.2)
Derivative Financial Instruments	(31.7)	(31.7)
	(123.3)	(113.3)
NET CURRENT LIABILITIES	(53.2)	(38.6)
TOTAL ASSETS LESS CURRENT LIABILITIES	2,030.0	2,055.3
Amounts due from Group Undertakings	3,523.7	3,518.1
Creditors: amounts falling due after more than one year		
Loans	(1,590.9)	(1,622.0)
Accruals and Deferred Income	(0.6)	(0.6)
Derivative Financial Instruments	(192.0)	(192.0)
Provisions for Liabilities and Charges	(14.5)	(14.6)
Subordinated Loan Funding	(836.9)	(819.9)
	(2,614.9)	(2,649.1)
NET ASSETS	2,918.8	2,924.3
Capital and Reserves		
Share Capital	-	-
Share Premium	2,963.3	2,963.3
Capital Reserve	29.4	29.7
Hedge Reserve	(147.3)	(147.3)
Revaluation Reserve	379.0	378.7
Profit and Loss Reserves	(305.6)	(300.1)
SHAREHOLDERS' FUNDS	2,918.8	2,924.3

¹ The figures at 21 August 2010 have been restated from those shown in the quarter 4 (August 2010) report, to reflect adjustments made on finalisation of underlying statutory accounts.



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CONSOLIDATED CASH FLOW

	<u>QUARTER 1</u> 16 weeks to 11 December 2010 <u>£m</u>	<u>2009/10</u> 52 weeks to 21 August 2010 <u>£m</u>
Operating profit	58.2	176.2
Depreciation and amortisation	3.0	11.6
Cash flows on exceptional items	(0.2)	(0.8)
(Increase) / decrease in working capital	(8.5)	5.6
Net Cash Inflow from Operating Activities	<u>52.5</u>	<u>192.6</u>
Returns on Investment and Servicing of Finance		
Interest paid	(28.8)	(125.9)
Interest received	0.2	1.1
	<u>(28.6)</u>	<u>(124.8)</u>
Taxation Receipts	16.8	27.2
Capital Expenditure and Financial Investment		
Investment spend on fixed assets	(9.9)	(25.7)
Receipt from sale of fixed assets	15.4	157.9
	<u>5.5</u>	<u>132.2</u>
Net Cash Inflow Before Financing	46.2	227.2
Financing		
Loans repaid	(27.0)	(207.9)
Swap break costs	-	(12.5)
Amounts paid to other group undertakings	(20.0)	(95.9)
	<u>(47.0)</u>	<u>(316.3)</u>
NET DECREASE IN CASH	<u><u>(0.8)</u></u>	<u><u>(89.1)</u></u>



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FINANCIAL RATIO COMPLIANCE CERTIFICATE

To: Security Trustee

1. We, Phil Dutton and Ed Bashforth, 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 11 December 2010 is 1.49:1
- (b) for the purposes of calculating the above, the following values are relevant for the Financial Quarter just ended:

	Relevant Period 28 weeks to 11 December 2010 £m
Debt Service (£m)	69.1
Interest Charges (£m)	61.8
EBITDA (£m)	103.0

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

Outlet EBITDA	£65.6m	
The average and final balance of each of the Securitisation Group Entity Accounts:	Average Balance (£m)	Final Balance (£m)
	Acquisition Reserve A/c	-
	Disposal Proceeds A/c	1.2
	Controlled Cash A/c	15.1
	Stamp Duty Reserve A/c	-
	Collections A/c	38.8
	Payments A/c	(4.0)



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FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)

CapEx Amounts expended	£11m for the quarter (Minimum Maintenance CapEx Amount required of £3.9m per annum)
Number of Punch Taverns Mortgaged Properties disposed of or acquired	Disposals - 59 Acquisitions - nil
Number of Pubs in Portfolio	3,089
Weighted Average Return on all CapEx Amounts spent on all trading Pubs (in accordance with clause 16.8(c) of IBFA)	13.9%
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.