



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

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**FINANCIAL REPORT – QUARTER 4 (AUGUST 2008)**

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**This report is confidential and should not be onwardly distributed  
without the written authority of Punch Taverns plc**



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## **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 £108.8m, of which rent contributed 30.1%, up from 29.3% in the 12 week period to 18 August 2007.

- **Gross Profits**

The total gross profit in the 13 week period to 23 August 2008 was £72.0m, which gave a gross profit margin of 66.1%, compared to a gross profit margin of 66.2% in the fourth quarter of the prior year.

- **Operating Margin and EBITDA**

Operating margin for the rolling 4 quarters to 23 August 2008 was 59.6% resulting in an EBITDA of £267.0m<sup>1</sup>. This is an increase in operating margin of 1.3% as compared to the rolling 4 quarters to 18 August 2007 when EBITDA was £253.2m.

EBITDA per pub for the rolling 4 quarters is £66,300<sup>1</sup>, up from £63,900 at the same point in 2006/07.

<sup>1</sup> The current financial year covers a 53 week period.



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**Estate Portfolio**

- During the period, five pubs have been disposed for proceeds of £2.3m, one pub has converted to an unlicensed property and the head lease has expired on one pub.

	<b><u>QUARTER 4</u></b> <b>13 weeks to</b> <b>23 August</b> <b>2008</b>	<b><u>YTD 2007/08</u></b> <b>53 weeks to</b> <b>23 August</b> <b>2008</b>
<b>Number of Pubs</b>		
Opening	4,029	4,035
Acquisitions	-	-
Other	(2)	(3)
Disposals	(5)	(10)
<b>End of Period</b>	<b><u>4,022</u></b>	<b><u>4,022</u></b>

**Investment in Assets**

	<b><u>QUARTER 4</u></b> <b>13 weeks to</b> <b>23 August</b> <b>2008</b> <b>£m</b>	<b><u>YTD 2007/08</u></b> <b>53 weeks to</b> <b>23 August</b> <b>2008</b> <b>£m</b>
Spend on existing pubs	2.2	25.4
Spend on other assets	0.7	4.3
<b>Total Spend on Estate</b>	<b><u>2.9</u></b>	<b><u>29.7</u></b>
<b>Disposal Proceeds<sup>1</sup></b>	<b><u>2.7</u></b>	<b><u>7.8</u></b>

<sup>1</sup> The proceeds in the current period include £0.4m (year to date: £2.5m) relating to land and other sales.



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## FINANCIAL REPORT – QUARTER 4 (AUGUST 2008)

### 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>13 weeks to</u>	<u>Quarters</u>
	<u>23 August</u>	<u>25 weeks to</u>
	<u>2008</u>	<u>23 August</u>
	<u>£m</u>	<u>£m</u>
<b>EBITDA</b>	<b>66.0</b>	<b>126.1</b>
Interest Payable	35.6	68.6
Interest Receivable	(1.3)	(2.0)
Capital Repayments <sup>1</sup>	8.1	15.4
	<b>42.4</b>	<b>82.0</b>
<b>Debt Service Cover Ratio</b>	<b>1.55:1</b>	<b>1.54:1</b>

<sup>1</sup> Calculated on a forward accruals basis.

### Interest and Capital Payments

	<u>QUARTER 4</u>	<u>YTD 2007/08</u>
	<u>13 weeks to</u>	<u>53 weeks to</u>
	<u>23 August</u>	<u>23 August</u>
	<u>2008</u>	<u>2008</u>
	<u>£m</u>	<u>£m</u>
<b>Interest Payments</b>		
A1	4.9	19.6
A2	5.1	20.5
A3 (N)	1.5	7.1
B1	2.6	10.5
B2	3.1	12.6
B3	2.7	11.3
C	3.5	14.0
M1	2.9	11.8
M2 (N)	6.1	25.4
D1	2.1	8.7
Swap payments / (receipts)	0.1	(0.1)
Other	1.0	3.9
	<b>35.6</b>	<b>145.3</b>
<b>Capital Repayments</b>		
A3 (N)	<b>8.2</b>	<b>31.5</b>



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**FINANCIAL REPORT – QUARTER 4 (AUGUST 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
<b>Available Excess Cash Amount</b>	<u><b>73.5</b></u>
Restricted Payment Excess Cash	77.8
Tax due on the accrual of interest on the Borrower Subordinated Loans	29.6
	<u>107.4</u>
Less: Restriction to ensure total does not exceed Available Excess Cash Amount	(33.9)
	<u><b>73.5</b></u>
<b>Utilisation to date:</b>	
Q1 2008/09 – Payment of interim dividend to parent company	<u><b>45.4</b></u>



**PUNCH TAVERNS FINANCE**  
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**PROFIT AND LOSS ACCOUNT**

	<u>QUARTER 4</u> 13 weeks to 23 August 2008 <u>£m</u>	<u>YTD 2007/08</u> 53 weeks to 23 August 2008 <u>£m</u>
<b>Turnover</b>		
Beer (net of discounts)	62.5	257.6
Rent	32.7	136.3
Machines	3.0	13.3
Other	10.6	40.8
<b>Total Turnover</b>	<b>108.8</b>	<b>448.0</b>
<b>Gross Profit</b>		
Beer	31.9	131.1
Rent	32.7	136.3
Machines	3.0	13.3
Other	4.4	16.8
<b>Total Gross Profit</b>	<b>72.0</b>	<b>297.5</b>
Operating Costs	(6.0)	(30.5)
<b>EBITDA</b>	<b>66.0</b>	<b>267.0</b>
Loss on Disposal	(1.9)	(4.3)
Depreciation and Amortisation	(2.7)	(11.5)
Exceptional Costs <sup>1</sup>	(0.5)	(1.9)
Cash Interest Receivable	1.3	4.0
Cash Interest Payable	(35.6)	(146.5)
Non-Cash Interest Credit	0.1	2.1
Subordinated Loan Interest	(25.9)	(101.2)
<b>Profit Before Taxation</b>	<b>0.8</b>	<b>7.7</b>
Taxation	(0.2)	(3.4)
<b>Profit After Taxation</b>	<b>0.6</b>	<b>4.3</b>

<sup>1</sup> Exceptional costs relate to costs incurred on reorganisation of field and central support teams.



**PUNCH TAVERNS FINANCE**  
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**CONSOLIDATED BALANCE SHEET**

	<b>As at 23 August 2008<sup>3</sup></b>	<b>As at 18 August 2007<sup>2</sup></b>
	<b>£m</b>	<b>£m</b>
<b>Fixed Assets</b>		
Goodwill	(7.2)	(7.7)
Investments	-	2.1
Tangible Fixed Assets	2,795.6	2,783.5
	<b>2,788.4</b>	<b>2,777.9</b>
<b>Debtors</b>		
Trade	24.1	26.9
Prepayments	7.7	7.8
	31.8	34.7
Cash at Bank and In Hand	81.6	65.3
<b>CURRENT ASSETS</b>	<b>113.4</b>	<b>100.0</b>
<b>Creditors: amounts falling due within one year</b>		
Loans	(32.3)	(30.0)
Trade Creditors	(3.8)	(7.6)
Other Creditors	(26.8)	(26.5)
Social Security and Other Taxes	(11.7)	(8.8)
Accruals and Deferred Income	(41.9)	(49.1)
	<b>(116.5)</b>	<b>(122.0)</b>
<b>NET CURRENT LIABILITIES</b>	<b>(3.1)</b>	<b>(22.0)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>2,785.3</b>	<b>2,755.9</b>
<b>Creditors: amounts falling due after more than one year</b>		
Loans	(2,017.5)	(2,049.7)
Accruals and Deferred Income	(0.7)	(0.9)
	<b>(2,018.2)</b>	<b>(2,050.6)</b>
Derivative Financial Instruments	(99.5)	(62.2)
Provisions for Liabilities and Charges	(45.2)	(57.3)
Amounts due from Group Undertakings	540.1	533.2
<b>NET ASSETS</b>	<b>1,162.5</b>	<b>1,119.0</b>
<b>Capital and Reserves</b>		
Share Capital	-	-
Share Premium	2,963.3	2,963.3
Capital Reserve	31.3	32.2
Hedge Reserve	(57.1)	(27.5)
Intercompany Funding <sup>1</sup>	(2,987.9)	(2,987.9)
Revaluation Reserve	436.9	438.5
Subordinated Loan Funding	702.4	635.7
Profit and Loss Reserves	73.6	64.7
<b>TOTAL SHAREHOLDERS' FUNDS</b>	<b>1,162.5</b>	<b>1,119.0</b>

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

<sup>2</sup> The figures at 18 August 2007 have been restated to reflect adjustments made on finalisation of underlying statutory accounts. The impact of these adjustments has been to reduce net assets by £15.0m, being £4.2m share-based payments, £4.9m deferred taxation and £5.9m corporation tax.

<sup>3</sup> 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.



**PUNCH TAVERNS FINANCE**  
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**CONSOLIDATED CASH FLOW**

	<u>QUARTER 4</u> 13 weeks to 23 August 2008 £m	<u>YTD 2007/08</u> 53 weeks to 23 August 2008 £m
Operating profit	63.3	255.5
Depreciation and amortisation	2.7	11.5
Cash flows on exceptional items	(0.7)	(3.6)
Increase in working capital	(7.1)	(15.1)
<b>Net Cash Inflow From Operating Activities</b>	58.2	248.3
<b>Returns on Investment and Servicing of Finance</b>		
Interest paid	(35.6)	(145.3)
Interest received	1.2	3.7
	(34.4)	(141.6)
<b>Taxation Payments</b>	-	-
<b>Capital Expenditure and Financial Investment</b>		
Investment spend on fixed assets	(2.9)	(29.7)
Receipt from sale of fixed assets	2.7	7.8
	(0.2)	(21.9)
<b>Net Cash Inflow Before Financing</b>	23.6	84.8
<b>Financing</b>		
Loans repaid	(8.2)	(31.5)
Amounts paid to other group undertakings	-	(37.0)
	(8.2)	(68.5)
<b>NET INCREASE IN CASH</b>	15.4	16.3



**PUNCH TAVERNS FINANCE  
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**FINANCIAL RATIO COMPLIANCE CERTIFICATE**

To: Security Trustee

1. We, Phil Dutton and Neil Preston 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 23 August 2008 was 1.54 : 1
- (b) for the purposes of calculating the above, the following values were relevant for the Financial Quarter just ended:

	<b>Relevant Period 25 weeks to 23 August 2008</b>
Debt Service (£m)	82.0
Interest Charges (£m)	68.6
EBITDA (£m)	126.1

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

Outlet EBITDA	£69.0m																					
The average and final balance of each of the Securitisation Group Entity Accounts:	<table border="1"> <thead> <tr> <th></th> <th align="center"><b>Average Balance (£m)</b></th> <th align="center"><b>Final Balance (£m)</b></th> </tr> </thead> <tbody> <tr> <td>Acquisition Reserve A/c</td> <td align="center">0.1</td> <td align="center">0.1</td> </tr> <tr> <td>Disposal Proceeds A/c</td> <td align="center">5.8</td> <td align="center">8.5</td> </tr> <tr> <td>Controlled Cash A/c</td> <td align="center">19.6</td> <td align="center">20.7</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">61.6</td> <td align="center">54.2</td> </tr> <tr> <td>Payments A/c</td> <td align="center">(4.1)</td> <td align="center">(0.5)</td> </tr> </tbody> </table>		<b>Average Balance (£m)</b>	<b>Final Balance (£m)</b>	Acquisition Reserve A/c	0.1	0.1	Disposal Proceeds A/c	5.8	8.5	Controlled Cash A/c	19.6	20.7	Stamp Duty Reserve A/c	-	-	Collections A/c	61.6	54.2	Payments A/c	(4.1)	(0.5)
	<b>Average Balance (£m)</b>	<b>Final Balance (£m)</b>																				
Acquisition Reserve A/c	0.1	0.1																				
Disposal Proceeds A/c	5.8	8.5																				
Controlled Cash A/c	19.6	20.7																				
Stamp Duty Reserve A/c	-	-																				
Collections A/c	61.6	54.2																				
Payments A/c	(4.1)	(0.5)																				
CapEx Amounts expended	£2.6m for the quarter (Minimum Maintenance CapEx Amount required of £4.6m per annum)																					
Number of Punch Taverns Mortgaged Properties disposed of or acquired	Disposals – 7 Acquisitions – nil																					
Number of Pubs in Portfolio	4,022																					
Weighted Average Return on all CapEx Amounts spent on all trading Pubs (in accordance with clause 16.8(c) of IBFA)	12.0%																					



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Free Cash Flow	£264.2m for the 53 week period ended 18 August 2008
Excess Cash	£94.7m for the 53 week period ended 18 August 2008
Restricted Payment Excess Cash	£77.8m for the 53 week period ended 18 August 2008
Net Worth	£704.4m

- (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: 7 October 2008

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

.....  
Finance Director

.....  
Director