



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

FINANCIAL REPORT – QUARTER 2 (MARCH 2010)

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

FINANCIAL REPORT – QUARTER 2 (MARCH 2010)

Introduction

This report covers the 12 week period to 6 March 2010, which is the second quarter of the 2009/10 financial year.

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

Debt Structure

During the quarter, the Punch Taverns (PMH) group cancelled loan notes with principal value of £33.4m.

Profit Commentary

Trading results for the second quarter were as follows:

- **Sales**

Turnover for the 12 week period to 6 March 2010 was £49.3m, of which rent contributed 27.0%.

- **Gross Profits**

The total gross profit in the 12 week period to 6 March 2010 was £33.9m, which gave a gross profit margin of 68.8%, compared to a gross profit margin of 64.7% in the second quarter of the prior year.

- **Operating Margin and EBITDA**

Operating margin in the quarter has benefited by £4.5m through support provided by the Punch Taverns plc group.

Operating margin for the rolling 4 quarters to 6 March 2010 was 54.7% resulting in an EBITDA of £131.0m.

EBITDA per pub for the rolling 4 quarters is £52,000.



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Estate Portfolio

- During the period, 67 pubs were disposed of for net proceeds of £13.1m.

	Quarter 2 12 weeks to 6 March 2010	2009/10 28 weeks to 6 March 2010
Number of Pubs		
Opening	2,377	2,509
Disposals	(67)	(199)
End of Period	<u>2,310</u>	<u>2,310</u>

Investment in Pub Estate

	Quarter 2 12 weeks to 6 March 2010 £m	2009/10 28 weeks to 6 March 2010 £m
Spend on existing pubs	1.9	3.7
Total Spend on Estate	<u>1.9</u>	<u>3.7</u>
Disposal Proceeds¹	<u>13.4</u>	<u>54.1</u>

¹ The proceeds in the current period include £0.3m (Year to date: £1.1m) 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 2</u>	<u>Rolling 2</u>	<u>Rolling 4</u>
	12 weeks to	28 weeks to	52 weeks to
	6 March 2010	6 March 2010	6 March 2010
	<u>£m</u>	<u>£m</u>	<u>£m</u>
EBITDA	29.3	66.5	131.0
Interest Payable	16.3	36.8	70.4
Interest Receivable	-	(0.2)	(0.4)
Capital Repayments ¹	5.7	5.7	5.7
	<u>22.0</u>	<u>42.3</u>	<u>75.7</u>
Debt Service Cover Ratio	1.33:1	1.57:1	1.73:1

Interest Payments

	<u>Quarter 2</u>	<u>2009/10</u>
	12 weeks to	28 weeks to
	6 March 2010	6 March 2010
	<u>£m</u>	<u>£m</u>
Interest Payments		
A3	3.7	7.4
A6	3.3	6.6
A7	2.7	5.4
A8	0.2	1.1
B1	1.4	2.8
B2	2.1	3.9
C	0.5	1.1
Swap payments / (receipts)	2.7	6.0
Other	0.4	0.8
	<u>17.0</u>	<u>35.1</u>



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Restricted Payments

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

	<u>Relevant Period</u> <u>28 weeks</u> <u>ending</u> <u>6 March 2010</u> <u>£m</u>
Free Cash Flow	66.5
Less: Debt Service	(42.3)
Less: current period restriction of R(FCF) to 1.1: 1	(4.2)
Plus: prior period restriction of unapplied excess cash (A-B)	10.0
Excess Cash	<hr/> 30.0
Capex in relevant period	(3.7)
Add: capex funded from DPA	-
Capex required to be funded from excess cash	<hr/> (3.7)
Transfer to capex reserve account	-
Available Excess Cash	<hr/> <hr/> 26.3



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PROFIT AND LOSS ACCOUNT

	<u>Quarter 2</u> 12 weeks to 6 March 2010	<u>2009/10</u> 28 weeks to 6 March 2010
	<u>£m</u>	<u>£m</u>
Turnover		
Beer (net of discounts)	29.1	70.5
Rent	13.3	32.0
Machines	1.5	3.6
Other	5.4	13.5
Total Turnover	49.3	119.6
Gross Profit		
Beer	16.9	37.2
Rent	13.3	32.0
Machines	1.5	3.6
Other	2.2	5.4
Total Gross Profit	33.9	78.2
Operating Costs	(4.6)	(11.7)
EBITDA	29.3	66.5
Property Related Profits / (Losses)	(4.7)	(7.4)
Depreciation and Amortisation	(1.0)	(2.4)
Exceptional (Costs) / Income ¹	(0.8)	3.4
Cash Interest Receivable	-	0.2
Cash Interest Payable	(16.3)	(36.8)
Non-Cash Interest Charge	(0.4)	(0.9)
Subordinated Loan Interest	(6.4)	(14.5)
Movement in Fair Value of Interest Rate Swaps	(4.6)	(4.6)
(Loss) / Profit Before Taxation	(4.9)	3.5
Taxation	3.6	0.5
(Loss) / Profit for the Period	(1.3)	4.0

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



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CONSOLIDATED BALANCE SHEET	Quarter 2	2008/09
	As at	As at
	6 March	22 August
	2010	2009¹
	£m	£m
Fixed Assets		
Goodwill	(15.1)	(15.7)
Tangible Fixed Assets	1,430.7	1,490.6
	<u>1,415.6</u>	<u>1,474.9</u>
Debtors		
Trade	17.4	17.8
Prepayments	2.7	2.7
	<u>20.1</u>	<u>20.5</u>
Cash at Bank and In Hand	26.2	141.9
CURRENT ASSETS	46.3	162.4
Creditors: amounts falling due within one year		
Loans	(26.4)	(22.2)
Trade Creditors	(1.1)	(1.2)
Other Creditors	(11.2)	(12.1)
Group Relief	-	(6.1)
Social Security and Other Taxes	(4.8)	(8.7)
Accruals and Deferred Income	(20.5)	(20.3)
	<u>(64.0)</u>	<u>(70.6)</u>
NET CURRENT (LIABILITIES) / ASSETS	(17.7)	91.8
TOTAL ASSETS LESS CURRENT LIABILITIES	1,397.9	1,566.7
Creditors: amounts falling due after more than one year		
Loans	(1,007.7)	(1,170.7)
	<u>390.2</u>	<u>396.0</u>
Provisions for Liabilities and Charges	(7.2)	(10.8)
Pension – Defined Benefit Liability	(8.5)	(9.8)
Derivative Financial Instrument	(22.3)	(34.2)
Amounts due from Group Undertakings	214.7	206.6
NET ASSETS	<u><u>566.9</u></u>	<u><u>547.8</u></u>
Capital and Reserves		
Share Capital	84.0	84.0
Revaluation Reserve	374.7	384.9
Other Capital Reserves	7.6	7.6
Hedge Reserve	(7.7)	(7.2)
Subordinated Loan Funding	190.2	175.7
Profit and Loss Reserves	(81.9)	(97.2)
SHAREHOLDERS' FUNDS	<u><u>566.9</u></u>	<u><u>547.8</u></u>

¹ The position at 22 August 2009 has been restated from that shown in the quarter 1 (December 2009) report for the finalisation of the underlying statutory accounts. This has had the impact of increasing net assets by £0.5m, being £0.5m corporation tax.



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CONSOLIDATED CASH FLOW

	<u>Quarter 2</u> <u>12 weeks to</u> <u>6 March</u> <u>2010</u> <u>£m</u>	<u>2009/10</u> <u>28 weeks to</u> <u>6 March</u> <u>2010</u> <u>£m</u>
Operating profit	28.3	64.1
Depreciation and amortisation	1.0	2.4
Cash flows from exceptional items	(0.6)	(0.6)
Increase in working capital	(11.9)	(22.8)
Net Cash Inflow from Operating Activities	<u>16.8</u>	<u>43.1</u>
Returns on Investment and Servicing of Finance		
Interest paid	(17.0)	(35.1)
Interest received	0.1	0.2
	<u>(16.9)</u>	<u>(34.9)</u>
Taxation Payments	(6.1)	(6.1)
Capital Expenditure and Financial Investment		
Investment spend on fixed assets	(1.9)	(3.7)
Receipt from sale of fixed assets	16.0	57.2
	<u>14.1</u>	<u>53.5</u>
Net Cash Inflow Before Financing	7.9	55.6
Financing		
Loans repaid	(40.8)	(154.3)
Swap break costs	(4.3)	(17.0)
	<u>(45.1)</u>	<u>(171.3)</u>
NET DECREASE IN CASH	<u><u>(37.2)</u></u>	<u><u>(115.7)</u></u>



PUNCH TAVERNS FINANCE B
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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 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 6 March 2010 was 1.73:1
 - ii) for the period of two Financial Quarters ending on 6 March 2010 was 1.57:1
- (c) the FCF Ratio:
 - i) for the period of four Financial Quarters ending on 6 March 2010 was 1.65:1
 - ii) for the period of two Financial Quarters ending on 6 March 2010 was 1.57:1
- (d) the Peak Debt Service Ratio is not required to be tested until the Financial Quarter ending on 21 August 2010.
- (e) the Net Worth of the New Securitisation Group calculated in accordance with Clause 15.3 of the Issuer / Borrower Facility Agreement does not need to be tested until the Financial Quarter ending on 21 August 2010.
- (f) for the purposes of calculating the above, the following values were relevant for the Financial Quarter just ended:

EBITDA:	£29.3m
Look Back EBITDA:	There is no requirement to test this covenant until the last quarter ending prior to June 2022
Debt Service (£m)	£22.0m
Expected Class A Debt Service	There is no requirement to test this covenant until the quarter commencing in August 2028
Interest Charges (£m)	£16.3m



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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 £29.3m

Outlet EBITDA £32.1m

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)
12.6	11.5
12.1	15.1
2.8	-

Minimum Maintenance CapEx Amount £1.4m per semi-annual

CapEx Amounts expended £2.5m for the quarter

Number of Punch Taverns B Mortgaged
Properties disposed of or acquired Disposals - 67
Acquisitions - nil

Number of Pubs in Portfolio 2,310

Weighted Average Return on all CapEx 13.2%
Amounts spent on all trading Pubs (in
accordance with clause 16.8(c) of IBFA)

Excess Cash Not tested this quarter

(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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FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)

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.