FINANCIAL REPORT – QUARTER 3 (MAY 2011)

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FINANCIAL REPORT – QUARTER 3 (MAY 2011)

Introduction

This report covers the 12 week period to 28 May 2011, which is the third 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 third quarter were as follows:

- **Sales**

  Turnover for the 12 week period to 28 May 2011 was £74.8m, of which rent contributed 25.8%.

- **Gross Profits**

  The total gross profit in the 12 week period to 28 May 2011 was £50.0m, which gave a gross profit margin of 66.8%.

- **Operating Margin and EBITDA**

  Operating margin in the quarter has benefited by £5.4m through support provided by the Punch Taverns plc group.

  Operating margin for the rolling 4 quarters to 28 May 2011 was 59.0% resulting in an EBITDA of £189.7m.

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Estate Portfolio

- During the period, 48 pubs were disposed of individually for net proceeds of £11.8m.

	Quarter 3 12 weeks to 28 May 2011	YTD 2010/11 40 weeks to 28 May 2011
Number of Pubs		
Opening	3,003	3,147
Other	-	(1)
Disposals	(48)	(191)
End of Period	**2,955**	**2,955**

Investment in Assets

	Quarter 3 12 weeks to 28 May 2011 £m	YTD 2010/11 40 weeks to 28 May 2011 £m
Spend on existing pubs	6.8	21.6
Spend on other assets	0.7	1.4
Total Spend on Estate	**7.5**	**23.0**
Disposal Proceeds	**12.5**	**58.5**

[1] The proceeds in the current period include £0.7m (year to date: £2.5m) 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):

	Quarter 3 12 weeks to 28 May 2011 £m	Rolling 2 Quarters 40 weeks to 28 May 2011 £m
EBITDA	**43.6**	**86.7**
Interest Payable	26.0	52.3
Interest Receivable	(0.2)	(0.4)
Capital Repayments[1]	6.2	12.3
	32.0	**64.2**
Debt Service Cover Ratio	**1.36:1**	**1.35:1**

[1] Calculated on a forward accruals basis.

Interest Payments

	Quarter 3 12 weeks to 28 May 2011 £m	YTD 2010/11 40 weeks to 28 May 2011 £m
Interest Payments		
A1	4.9	14.7
A2	4.5	14.0
B1	1.5	5.3
B2	2.1	6.8
B3	0.4	1.2
C	1.6	4.8
M1	1.7	5.2
M2 (N)	0.9	2.8
D1	0.4	1.2
Swap payments	8.3	26.1
Other	1.3	3.8
	27.6	**85.9**

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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):

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

PROFIT AND LOSS ACCOUNT

	Quarter 3 12 weeks to 28 May 2011 £m	YTD 2010/11 40 weeks to 28 May 2011 £m
Turnover		
Beer (net of discounts)	45.4	144.3
Rent	19.3	67.1
Machines	1.6	5.5
Other	8.5	26.2
Total Turnover	74.8	243.1
Gross Profit		
Beer	25.8	87.1
Rent	19.3	67.1
Machines	1.6	5.5
Other	3.3	10.0
Total Gross Profit	50.0	169.7
Operating Costs	(6.4)	(21.8)
EBITDA	43.6	147.9
Property Related Loss	(5.6)	(8.5)
Depreciation and Amortisation	(1.9)	(7.1)
Exceptional Items	5.0	14.0
Cash Interest Receivable	0.2	0.5
Cash Interest Payable	(26.0)	(87.1)
Non-Cash Interest Charge	(0.4)	(0.3)
Subordinated Loan Interest	(29.9)	(95.7)
Movement in Fair Value of Interest Rate Swaps	-	0.5
Loss Before Taxation	(15.0)	(35.8)
Taxation	4.0	12.0
Loss for the Period	(11.0)	(23.8)

PUNCH TAVERNS FINANCE

PUNCH TAVERNS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

	As at 28 May 2011 £m	As at 21 August 2010 £m
Fixed Assets		
Goodwill	(5.7)	(6.1)
Tangible Fixed Assets	2,045.4	2,100.0
	2,039.7	2,093.9
Debtors		
Trade	17.6	16.7
Prepayments	8.4	5.6
	26.0	22.3
Cash at Bank and In Hand	68.2	52.4
CURRENT ASSETS	94.2	74.7
Creditors: amounts falling due within one year		
Loans	(25.2)	(25.0)
Trade Creditors	(4.2)	(5.6)
Other Creditors	(18.2)	(18.1)
Social Security and Other Taxes	(12.0)	(5.7)
Accruals and Deferred Income	(24.7)	(27.2)
Derivative Financial Instruments	(31.6)	(31.7)
	(115.9)	(113.3)
NET CURRENT LIABILITIES	(21.7)	(38.6)
TOTAL ASSETS LESS CURRENT LIABILITIES	2,018.0	2,055.3
Amounts due from Group Undertakings	3,515.7	3,518.1
Creditors: amounts falling due after more than one year		
Loans	(1,538.1)	(1,622.0)
Accruals and Deferred Income	(0.4)	(0.6)
Derivative Financial Instruments	(131.1)	(192.0)
Provisions for Liabilities and Charges	(30.4)	(14.6)
Subordinated Loan Funding	(885.8)	(819.9)
NET ASSETS	**2,947.9**	**2,924.3**
Capital and Reserves		
Share Capital	-	-
Share Premium	2,963.3	2,963.3
Capital Reserve	29.0	29.7
Hedge Reserve	(104.0)	(147.3)
Revaluation Reserve	372.3	378.7
Profit and Loss Reserves	(312.7)	(300.1)
SHAREHOLDERS' FUNDS	**2,947.9**	**2,924.3**

CONSOLIDATED CASH FLOW

	Quarter 3 12 weeks to 28 May 2011 £m	YTD 2010/11 40 weeks to 28 May 2011 £m
Operating profit	41.7	140.8
Depreciation and amortisation	1.9	7.1
Cash flows on exceptional items	-	(0.6)
Decrease in working capital	5.0	4.6
Net Cash Inflow from Operating Activities	48.6	151.9
Returns on Investment and Servicing of Finance		
Interest paid	(27.6)	(85.9)
Interest received	0.1	0.4
	(27.5)	(85.5)
Taxation Receipts	(1.6)	15.2
Capital Expenditure and Financial Investment		
Investment spend on fixed assets	(7.5)	(23.0)
Receipt from sale of fixed assets	11.6	57.2
	4.1	34.2
Net Cash Inflow Before Financing	23.6	115.8
Financing		
Loans repaid	(13.3)	(70.2)
Amounts paid to other group undertakings	-	(29.8)
	(13.3)	(100.0)
NET INCREASE IN CASH	**10.3**	**15.8**

FINANCIAL RATIO COMPLIANCE CERTIFICATE

To: Security Trustee

1. We, Steve Dando 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 28 May 2011 is 1.35:1

(b) for the purposes of calculating the above, the following values are relevant for the Financial Quarter just ended:

	Relevant Period 40 weeks to 28 May 2011 £m
Debt Service (£m)	64.2
Interest Charges (£m)	52.3
EBITDA (£m)	86.7

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

Outlet EBITDA	£47.1m	
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	6.7	5.6
Controlled Cash A/c	15.1	15.0
Stamp Duty Reserve A/c	-	-
Collections A/c	53.8	49.4
Payments A/c	(6.9)	(0.7)

FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)

CapEx Amounts expended	£7.9m for the quarter (Minimum Maintenance CapEx Amount required of £3.9m per annum)
Number of Punch Taverns Mortgaged Properties disposed of or acquired	Disposals - 48 Acquisitions - nil
Number of Pubs in Portfolio	2,955
Weighted Average Return on all CapEx Amounts spent on all trading Pubs (in accordance with clause 16.8(c) of IBFA)	16.9%
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;

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.

Dated: 12 July 2011

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

Finance Director

Director