



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

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**FINANCIAL REPORT – QUARTER 1 (DECEMBER 2009)**

**CONTENTS**

	<i>Page</i>
Introduction	2
Profit Commentary	2
Estate Portfolio	3
Investment in Pub Estate	3
Debt Service Cover Ratio (DSCR)	4
Interest Payments	4
Restricted Payments	5
Profit and Loss Account	6
Consolidated Balance Sheet	7
Consolidated Cash Flow	8
Financial Ratio Compliance Certificate	9 - 11

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without the written authority of Punch Taverns plc**



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

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### **FINANCIAL REPORT – QUARTER 1 (DECEMBER 2009)**

#### **Introduction**

This report covers the 16 week period to 12 December 2009, which is the first 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 £119.5m.

#### **Profit Commentary**

Trading results for the first quarter were as follows:

- **Sales**

Turnover for the 16 week period to 12 December 2009 was £70.3m, of which rent contributed 26.6%.

- **Gross Profits**

The total gross profit in the 16 week period to 12 December 2009 was £44.3m, which gave a gross profit margin of 63.0%.

- **Operating Margin and EBITDA**

Operating margin for the rolling 4 quarters to 12 December 2009 was 54.2% resulting in an EBITDA of £134.9m.

EBITDA per pub for the rolling 4 quarters is £51,600.



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

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**FINANCIAL REPORT – QUARTER 1 (DECEMBER 2009)**

**Estate Portfolio**

- During the period, 132 pubs were disposed of for net proceeds of £39.3m.

	<b>Quarter 1</b> <b>16 weeks to</b> <b>12 December</b> <b>2009</b>	<b>2008/09</b> <b>52 weeks to</b> <b>22 August</b> <b>2009</b>
<b>Number of Pubs</b>		
Opening	2,509	2,750
Disposals	(132)	(241)
<b>End of Period</b>	<u>2,377</u>	<u>2,509</u>

**Investment in Pub Estate**

	<b>Quarter 1</b> <b>16 weeks to</b> <b>12 December</b> <b>2009</b> <b>£m</b>	<b>2008/09</b> <b>52 weeks to</b> <b>22 August</b> <b>2009</b> <b>£m</b>
Spend on existing pubs	<u>1.8</u>	<u>8.7</u>
<b>Total Spend on Estate</b>	<u>1.8</u>	<u>8.7</u>
<b>Disposal Proceeds<sup>1</sup></b>	<u>40.0</u>	<u>80.7</u>

<sup>1</sup> The proceeds in the current period include £0.7m relating to land and other sales.



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

**FINANCIAL REPORT – QUARTER 1 (DECEMBER 2009)**

**Debt Service Cover Ratio (DSCR)**

This is calculated as follows (see profit and loss account on page 6):

	<u>Quarter 1</u> 16 weeks to 12 December 2009 £m	<u>Rolling 2 Quarters</u> 28 weeks to 12 December 2009 £m	<u>Rolling 4 Quarters</u> 52 weeks to 12 December 2009 £m
<b>EBITDA</b>	<b>37.2</b>	<b>68.7</b>	<b>134.9</b>
Interest Payable	20.5	36.8	71.7
Interest Receivable	(0.2)	(0.3)	(0.6)
Capital Repayments <sup>1</sup>	-	-	-
	<b>20.3</b>	<b>36.5</b>	<b>71.1</b>
<b>Debt Service Cover Ratio</b>	<b>1.84:1</b>	<b>1.88:1</b>	<b>1.90:1</b>

<sup>1</sup> Capital repayments do not commence until 13 December 2009.

**Interest Payments**

	<u>Quarter 1</u> 16 weeks to 12 December 2009 £m	<u>2008/09</u> 52 weeks to 22 August 2009 £m
<b>Interest Payments</b>		
A3	3.7	14.8
A6	3.3	13.0
A7	2.7	11.9
A8	0.9	10.6
B1	1.4	6.1
B2	1.8	8.7
C	0.6	6.6
Swap payments / (receipts)	3.3	2.7
Other	0.4	1.5
	<b>18.1</b>	<b>75.9</b>



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

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**FINANCIAL REPORT – QUARTER 1 (DECEMBER 2009)**

**Restricted Payments**

The following payments 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>24 weeks</u> <u>ending</u> <u>22 August 2009</u> <u>£m</u>
Free Cash Flow	58.2
Less: Debt Service	(33.4)
Less: current period restriction of R(FCF) to 1.3: 1	(10.0)
Plus: prior period restriction of unapplied excess cash (A-B)	12.1
Excess Cash	<hr/> 26.9
Capex in relevant period	(3.2)
Add: capex funded from DPA	-
Capex required to be funded from excess cash	<hr/> (3.2)
Transfer to capex reserve account	(10.0)
<b>Available Excess Cash:</b>	
<b>Total Permitted Restricted Payment</b>	<hr/> <hr/> <b>13.7</b>



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

**PROFIT AND LOSS ACCOUNT**

	<u>Quarter 1</u> 16 weeks to 12 December 2009 <u>£m</u>	<u>2008/09</u> 52 weeks to 22 August 2009 <sup>2</sup> <u>£m</u>
<b>Turnover</b>		
Beer (net of discounts)	41.4	152.0
Rent	18.7	70.9
Machines	2.1	8.1
Other	8.1	28.4
<b>Total Turnover</b>	<u>70.3</u>	<u>259.4</u>
<b>Gross Profit</b>		
Beer	20.3	76.1
Rent	18.7	70.9
Machines	2.1	8.1
Other	3.2	11.7
<b>Total Gross Profit</b>	<u>44.3</u>	<u>166.8</u>
Operating Costs	(7.1)	(25.2)
<b>EBITDA</b>	<u>37.2</u>	<u>141.6</u>
Property Related Profits / (Losses)	(2.7)	(147.2)
Depreciation and Amortisation	(1.4)	(4.9)
Exceptional Income / (Costs) <sup>1</sup>	4.2	(5.7)
Cash Interest Receivable	0.2	1.3
Cash Interest Payable	(20.5)	(74.8)
Non-Cash Interest Charge	(0.5)	(1.9)
Subordinated Loan Interest	(8.1)	(26.1)
<b>Profit / (Loss) Before Taxation</b>	<u>8.4</u>	<u>(117.7)</u>
Taxation	(3.1)	6.8
<b>Profit / (Loss) for the Period</b>	<u>5.3</u>	<u>(110.9)</u>

<sup>1</sup> Exceptional income relates to profit arising on debt buy-back and costs incurred on reorganisation of field and central support teams.

<sup>2</sup> The figures at 22 August 2009 have been restated from those shown in the quarter 4 (August 2009) report to reflect adjustments made on finalisation of underlying statutory accounts. The impact of these adjustments has been to reduce the loss for the period by £14.9m, being £20.8m hedge reserve recycling, £0.1m management recharge, -£6.8m corporation tax and £0.8m deferred tax.



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

<b>CONSOLIDATED BALANCE SHEET</b>	<u>Quarter 1</u> <b>As at</b> <b>12</b> <b>December</b> <b>£m</b>	<u>2008/09</u> <b>As at</b> <b>22 August</b> <b>2009</b> <sup>1</sup> <b>£m</b>
<b>Fixed Assets</b>		
Goodwill	(15.4)	(15.7)
Tangible Fixed Assets	1,448.1	1,490.6
	<u>1,432.7</u>	<u>1,474.9</u>
<b>Debtors</b>		
Trade	19.1	17.8
Prepayments	3.2	2.7
	<u>22.3</u>	<u>20.5</u>
Cash at Bank and In Hand	63.4	141.9
<b>CURRENT ASSETS</b>	<u>85.7</u>	<u>162.4</u>
<b>Creditors: amounts falling due within one year</b>		
Loans	(33.1)	(22.2)
Trade Creditors	(1.0)	(1.2)
Other Creditors	(11.3)	(12.1)
Group Relief	-	(6.1)
Social Security and Other Taxes	(8.0)	(8.7)
Accruals and Deferred Income	(25.3)	(20.3)
	<u>(78.7)</u>	<u>(70.6)</u>
<b>NET CURRENT ASSETS</b>	<u>7.0</u>	<u>91.8</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>1,439.7</u>	<u>1,566.7</u>
<b>Creditors: amounts falling due after more than one year</b>		
Loans	(1,041.5)	(1,170.7)
	<u>398.2</u>	<u>396.0</u>
Provisions for Liabilities and Charges	(10.8)	(10.8)
Pension – Defined Benefit Liability	(9.8)	(9.8)
Derivative Financial Instrument	(21.5)	(34.2)
Amounts due from Group Undertakings	204.6	206.1
<b>NET ASSETS</b>	<u><u>560.7</u></u>	<u><u>547.3</u></u>
<b>Capital and Reserves</b>		
Share Capital	84.0	84.0
Revaluation Reserve	382.7	384.9
Other Capital Reserves	7.6	7.6
Hedge Reserve	(7.2)	(7.2)
Subordinated Loan Funding	183.8	175.7
Profit and Loss Reserves	(90.2)	(97.7)
<b>SHAREHOLDERS' FUNDS</b>	<u><u>560.7</u></u>	<u><u>547.3</u></u>

<sup>1</sup> The position at 22 August 2009 has been restated from that shown in the quarter 4 (August 2008) report for the finalisation of the underlying statutory accounts. This has had the impact of reducing net assets by £0.2m, being -£0.7m deferred taxation, £0.8m corporation tax and £0.1m other intercompany. Within net assets, having no impact overall, £0.4m prepayments transferred from group undertakings. Within shareholders' funds, having no impact overall, £14.0m was transferred from the hedge reserve to the profit and loss reserve.



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

**CONSOLIDATED CASH FLOW**

	<u>Quarter 1</u> <b>16 weeks to</b> <b>12</b> <b>December</b> <b>£m</b>	<u>2008/09</u> <b>52 weeks to</b> <b>22 August</b> <b>2009</b> <b>£m</b>
Operating profit	35.8	136.7
Depreciation and amortisation	1.4	4.9
Cash flows from exceptional items	-	(2.2)
(Increase) / decrease in working capital	(11.1)	3.4
<b>Net Cash Inflow from Operating Activities</b>	<b>26.1</b>	<b>142.8</b>
<b>Returns on Investment and Servicing of Finance</b>		
Interest paid	(18.1)	(75.9)
Interest received	0.1	1.5
	<b>(18.0)</b>	<b>(74.4)</b>
<b>Capital Expenditure and Financial Investment</b>		
Investment spend on fixed assets	(1.8)	(8.7)
Receipt from sale of fixed assets	41.2	80.7
	<b>39.4</b>	<b>72.0</b>
<b>Equity Dividends Paid</b>	-	-
<b>Net Cash Inflow Before Financing</b>	<b>47.5</b>	<b>140.4</b>
<b>Financing</b>		
Loans repaid	(113.5)	(24.8)
Swap break costs	(12.7)	-
Amounts paid to other group undertakings	-	(52.7)
	<b>(126.2)</b>	<b>(77.5)</b>
<b>NET (DECREASE) / INCREASE IN CASH</b>	<b>(78.7)</b>	<b>62.9</b>



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

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**FINANCIAL RATIO COMPLIANCE CERTIFICATE**

To: Deutsche Trustee Company Limited

1. We, Phil Dutton and Giles Thorley, 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 12 December 2009 was 1.90:1
  - ii) for the period of two Financial Quarters ending on 12 December 2009 was 1.88:1
- (c) the FCF Ratio:
  - i) for the period of four Financial Quarters ending on 12 December 2009 was 1.81:1
  - ii) for the period of two Financial Quarters ending on 12 December 2009 was 1.71:1
- (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:	£37.2m
Look Back EBITDA:	There is no requirement to test this covenant until the last quarter ending prior to June 2022
Debt Service (£m)	£20.3m
Expected Class A Debt Service	There is no requirement to test this covenant until the quarter commencing in August 2028
Interest Charges (£m)	£20.5m



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

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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 £37.2m

Outlet EBITDA £40.4m

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)
32.3	37.0
43.0	6.6
20.0	20.0

Minimum Maintenance CapEx Amount £1.4m per semi-annual

CapEx Amounts expended £2.9m for the quarter

Number of Punch Taverns B Mortgaged  
Properties disposed of or acquired Disposals - 132  
Acquisitions - nil

Number of Pubs in Portfolio 2,377

Weighted Average Return on all CapEx 15.6%  
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;



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

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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.