



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

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**FINANCIAL REPORT – QUARTER 4 (AUGUST 2010)**

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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 2010)**

**Introduction**

This report covers the 12 week period to 21 August 2010, which is the fourth 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 Holdings group cancelled loan notes with principal value of £28.7m.

**Profit Commentary**

Trading results for the fourth quarter were as follows:

- **Sales**

Turnover for the 12 week period to 21 August 2010 was £78.4m, of which rent contributed 27.3%.

- **Gross Profits**

The total gross profit in the 12 week period to 21 August 2010 was £48.6m, which gave a gross profit margin of 62.0%.

- **Operating Margin and EBITDA**

Operating margin in the quarter has benefited by £2.0m through support provided by the Punch Taverns plc group.

Operating margin for the rolling 4 quarters to 21 August 2010 was 54.8% resulting in an EBITDA of £187.8m.

EBITDA per pub for the rolling 4 quarters is £55,700.



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**Estate Portfolio**

- During the period, 111 pubs were disposed of for net proceeds of £26.9m.

	<b><u>QUARTER 4</u></b> <b>12 weeks to</b> <b>21 August</b> <b>2010</b>	<b><u>YTD 2009/10</u></b> <b>52 weeks to</b> <b>21 August</b> <b>2010</b>
<b>Number of Pubs</b>		
Opening	3,258	3,659
Acquisitions	-	-
Other	-	(3)
Disposals	(111)	(509)
<b>End of Period</b>	<b><u>3,147</u></b>	<b><u>3,147</u></b>

**Investment in Assets**

	<b><u>QUARTER 4</u></b> <b>12 weeks to</b> <b>21 August</b> <b>2010</b> <b>£m</b>	<b><u>YTD 2009/10</u></b> <b>52 weeks to</b> <b>21 August</b> <b>2010</b> <b>£m</b>
Spend on existing pubs	10.4	23.5
Spend on other assets	0.4	2.2
<b>Total Spend on Estate</b>	<b><u>10.8</u></b>	<b><u>25.7</u></b>
<b>Disposal Proceeds</b>	<b><u>26.9</u></b>	<b><u>151.2</u></b>

<sup>1</sup> The proceeds in the current period include £nil (year to date: £3.6m) relating to land and other sales.



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**FINANCIAL REPORT – QUARTER 4 (AUGUST 2010)**

**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>
	12 weeks to	Quarters
	21 August	24 weeks to
	2010	21 August
	<u>£m</u>	2010
		<u>£m</u>
<b>EBITDA</b>	<b>41.8</b>	<b>82.8</b>
Interest Payable	27.0	54.7
Interest Receivable	(0.2)	(0.4)
Capital Repayments <sup>1</sup>	2.1	4.4
	<u>28.9</u>	<u>58.7</u>
<b>Debt Service Cover Ratio</b>	<b>1.45:1</b>	<b>1.41:1</b>

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

**Interest Payments**

	<u>QUARTER 4</u>	<u>YTD 2009/10</u>
	12 weeks to	52 weeks to
	21 August	21 August
	2010	2010
	<u>£m</u>	<u>£m</u>
<b>Interest Payments</b>		
A1	4.9	19.6
A2	4.7	19.5
A3 (N)	-	-
B1	2.3	9.7
B2	2.6	11.3
B3	0.4	1.6
C	1.7	9.3
M1	1.9	9.1
M2 (N)	0.8	3.6
D1	0.4	1.9
Swap payments	9.0	36.3
Other	1.0	4.0
	<u>29.7</u>	<u>125.9</u>



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**FINANCIAL REPORT – QUARTER 4 (AUGUST 2010)**

**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	-
<b>Available Excess Cash Amount</b>	<u><u>29.8</u></u>



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**PROFIT AND LOSS ACCOUNT**

	<u>QUARTER 4</u> 12 weeks to 21 August 2010 <u>£m</u>	<u>YTD 2009/10</u> 52 weeks to 21 August 2010 <u>£m</u>
<b>Turnover</b>		
Beer (net of discounts)	46.3	201.8
Rent	21.4	96.9
Machines	1.6	8.1
Other	9.1	35.7
<b>Total Turnover</b>	<u>78.4</u>	<u>342.5</u>
<b>Gross Profit</b>		
Beer	22.0	99.9
Rent	21.4	96.9
Machines	1.6	8.1
Other	3.6	14.1
<b>Total Gross Profit</b>	<u>48.6</u>	<u>219.0</u>
Operating Costs	(6.8)	(31.2)
<b>EBITDA</b>	<u>41.8</u>	<u>187.8</u>
Impairment of Tangible Fixed Assets	(155.6)	(171.3)
Depreciation and Amortisation	(3.5)	(11.6)
Exceptional (Costs) / Income <sup>1</sup>	(0.8)	39.4
Cash Interest Receivable	0.2	1.2
Cash Interest Payable	(26.9)	(123.8)
Non-Cash Interest Charge	(4.0)	(8.2)
Subordinated Loan Interest	(27.8)	(118.3)
Movement in Fair Value of Interest Rate Swaps	4.4	8.3
<b>Loss Before Taxation</b>	<u>(172.2)</u>	<u>(196.5)</u>
Taxation	31.9	43.8
<b>Loss for the Period</b>	<u><u>(140.3)</u></u>	<u><u>(152.7)</u></u>

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



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**CONSOLIDATED BALANCE SHEET**

	As at 21 August 2010 <u>£m</u>	As at 22 August 2009 <u>£m</u>
<b>Fixed Assets</b>		
Goodwill	(6.1)	(6.6)
Tangible Fixed Assets	2,100.0	2,426.2
	<u>2,093.9</u>	<u>2,419.6</u>
<b>Debtors</b>		
Trade	16.7	28.1
Prepayments	5.6	6.0
Group Relief	-	27.2
	<u>22.3</u>	<u>61.3</u>
Cash at Bank and In Hand	52.4	141.5
<b>CURRENT ASSETS</b>	<u>74.7</u>	<u>202.8</u>
<b>Creditors: amounts falling due within one year</b>		
Loans	(25.0)	(12.5)
Trade Creditors	(5.6)	(2.9)
Other Creditors	(18.1)	(22.4)
Social Security and Other Taxes	(5.7)	(17.6)
Accruals and Deferred Income	(27.2)	(31.0)
	<u>(81.6)</u>	<u>(86.4)</u>
<b>NET CURRENT (LIABILITIES) / ASSETS</b>	<u>(6.9)</u>	<u>116.4</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>2,087.0</u>	<u>2,536.0</u>
<b>Creditors: amounts falling due after more than one year</b>		
Loans	(1,622.0)	(1,890.7)
Accruals and Deferred Income	(0.6)	(0.7)
Derivative Financial Instruments	(223.7)	(158.6)
Provisions for Liabilities and Charges	(24.6)	(41.8)
Amounts due from Group Undertakings	556.5	525.4
	<u>(1,314.4)</u>	<u>(1,566.4)</u>
<b>NET ASSETS</b>	<u><u>772.6</u></u>	<u><u>969.6</u></u>
<b>Capital and Reserves</b>		
Share Capital	-	-
Share Premium	2,963.3	2,963.3
Capital Reserve	29.7	30.5
Hedge Reserve	(147.4)	(96.7)
Intercompany Funding <sup>1</sup>	(2,987.9)	(2,987.9)
Revaluation Reserve	407.9	454.8
Subordinated Loan Funding	819.9	797.5
Profit and Loss Reserves	(312.9)	(191.9)
<b>SHAREHOLDERS' FUNDS</b>	<u><u>772.6</u></u>	<u><u>969.6</u></u>

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



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**CONSOLIDATED CASH FLOW**

	<u>QUARTER 4</u> 12 weeks to 21 August 2010 <u>£m</u>	<u>YTD 2009/10</u> 52 weeks to 21 August 2010 <u>£m</u>
Operating profit	38.3	176.2
Depreciation and amortisation	3.5	11.6
Cash flows on exceptional items	(0.3)	(0.8)
Decrease in working capital	30.5	5.6
<b>Net Cash Inflow from Operating Activities</b>	<u>72.0</u>	<u>192.6</u>
<b>Returns on Investment and Servicing of Finance</b>		
Interest paid	(29.7)	(125.9)
Interest received	0.2	1.1
	<u>(29.5)</u>	<u>(124.8)</u>
<b>Taxation Receipts</b>	-	27.2
<b>Capital Expenditure and Financial Investment</b>		
Investment spend on fixed assets	(10.8)	(25.7)
Receipt from sale of fixed assets	22.7	157.9
	<u>11.9</u>	<u>132.2</u>
<b>Net Cash Inflow Before Financing</b>	54.4	227.2
<b>Financing</b>		
Loans repaid	(26.0)	(207.9)
Swap break costs	(7.0)	(12.5)
Amounts paid to other group undertakings	(13.7)	(95.9)
	<u>(46.7)</u>	<u>(316.3)</u>
<b>NET INCREASE / (DECREASE) IN CASH</b>	<u><u>7.7</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 21 August 2010 is 1.41:1
- (b) for the purposes of calculating the above, the following values are relevant for the Financial Quarter just ended:

	<b>Relevant Period</b> <b>24 weeks to</b> <b>21 August</b> <b>2010</b> <b>£m</b>
Debt Service (£m)	58.7
Interest Charges (£m)	54.7
EBITDA (£m)	82.8

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

Outlet EBITDA	£44m	
The average and final balance of each of the Securitisation Group Entity Accounts:	<b>Average Balance (£m)</b>	<b>Final Balance (£m)</b>
	Acquisition Reserve A/c	-
	Disposal Proceeds A/c	16.2
	Controlled Cash A/c	19.6
	Stamp Duty Reserve A/c	-
	Collections A/c	26.5
	Payments A/c	(5.0)
		(0.1)



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**FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)**

CapEx Amounts expended	£12.2m for the quarter (Minimum Maintenance CapEx Amount required of £4.3m per annum)
Number of Punch Taverns Mortgaged Properties disposed of or acquired	Disposals - 111 Acquisitions - nil
Number of Pubs in Portfolio	3,147
Weighted Average Return on all CapEx Amounts spent on all trading Pubs (in accordance with clause 16.8(c) of IBFA)	16.0%
Free Cash Flow	£188.3m
Excess Cash	£55.6m
Restricted Payment Excess Cash	£42.4m
Net Worth	£439.8m

- (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.