PUNCH TAVERNS FINANCE B

PUNCH TAVERNS (PMH) LIMITED AND SUBSIDIARY COMPANIES

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 £48.7m, of which rent contributed 23.6%.

- **Gross Profits**

  The total gross profit in the 12 week period to 28 May 2011 was £33.8m, which gave a gross profit margin of 69.4%.

- **Operating Margin and EBITDA**

  Operating margin in the quarter has benefited by £5.1m through support provided by the Punch Taverns plc group.

  Operating margin for the rolling 4 quarters to 28 May 2011 was 65.0% resulting in an EBITDA of £137.8m.

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Estate Portfolio

- During the period, 30 pubs were individually disposed of for net proceeds of £6.2m and one pub was converted to an unlicensed property.

	Quarter 3 12 weeks to 28 May 2011	YTD 2010/11 40 weeks to 28 May 2011
Number of Pubs		
Opening	2,113	2,178
Other	(1)	(2)
Disposals	(30)	(94)
End of Period	**2,082**	**2,082**

Investment in Pub Estate

	Quarter 3 12 weeks to 28 May 2011 £m	YTD 2010/11 40 weeks to 28 May 2011 £m
Spend on existing pubs	5.6	15.9
Total Spend on Estate	**5.6**	**15.9**
Disposal Proceeds[1]	**6.4**	**19.6**

[1] The proceeds in the current period include £0.2m (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):

	Quarter 3 12 weeks to 28 May 2011 £m	Rolling 2 Quarters 40 weeks to 28 May 2011 £m	Rolling 4 Quarters 52 weeks to 28 May 2011 £m
EBITDA	**28.4**	**61.0**	**137.8**
Interest Payable	14.0	28.1	61.5
Interest Receivable	(0.1)	(0.2)	(0.4)
Capital Repayments[1]	5.8	12.0	29.4
	19.7	**39.9**	**90.5**
Debt Service Cover Ratio	**1.44:1**	**1.53:1**	**1.52:1**

[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		
A3	3.7	11.1
A6	3.3	9.9
A7	2.3	7.2
A8	0.2	0.4
B1	1.3	3.9
B2	1.7	5.1
C	0.6	1.8
Swap payments	1.9	5.9
Other	0.2	0.8
	15.2	**46.1**

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Restricted Payments

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

	Relevant Period 28 weeks ending 5 March 2011 £m
Free Cash Flow	74.4
Less: Debt Service	(48.8)
Less: current period restriction of R(FCF) to 1.1: 1	(4.8)
Plus: prior period restriction of unapplied excess cash (A-B)	4.4
Excess Cash	25.2
Capex in the year	(10.3)
Add: capex funded from DPA	6.5
Capex required to be funded from excess cash	(3.8)
Available Excess Cash	**21.4**

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)	29.7	95.5
Rent	11.5	41.1
Machines	1.2	4.2
Other	6.3	19.3
Total Turnover	48.7	160.1
Gross Profit		
Beer	18.6	67.3
Rent	11.5	41.1
Machines	1.2	4.2
Other	2.5	7.6
Total Gross Profit	33.8	120.2
Operating Costs	(5.4)	(16.5)
EBITDA	28.4	103.7
Property Related Losses	(1.7)	(3.7)
Depreciation and Amortisation	(0.6)	(2.4)
Exceptional Items	(0.1)	7.6
Cash Interest Receivable	0.1	0.3
Cash Interest Payable	(14.0)	(46.7)
Non-Cash Interest Charge	(0.3)	(0.9)
Subordinated Loan Interest	(7.3)	(23.7)
Movement in Fair Value of Interest Rate Swaps	-	4.2
Profit Before Taxation	4.5	38.4
Taxation	(1.7)	(10.9)
Profit for the Period	2.8	27.5

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CONSOLIDATED BALANCE SHEET

	Quarter 3 As at 28 May 2011 £m	2010/11 As at 21 August 2010 £m
Fixed Assets		
Goodwill	(13.9)	(14.7)
Tangible Fixed Assets	1,301.4	1,314.0
	1,287.5	1,299.3
Debtors		
Trade	9.7	11.1
Prepayments	3.6	1.9
	13.3	13.0
Cash at Bank and In Hand	20.3	37.1
CURRENT ASSETS	33.6	50.1
Creditors: amounts falling due within one year		
Loans	(24.9)	(26.8)
Trade Creditors	(2.1)	(3.4)
Other Creditors	(10.8)	(11.0)
Social Security and Other Taxes	(4.4)	(4.6)
Accruals and Deferred Income	(15.1)	(17.3)
Derivative Financial Instrument	(7.0)	(7.1)
	(64.3)	(70.2)
NET CURRENT LIABILITIES	(30.7)	(20.1)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,256.8	1,279.2
Amounts due from Group Undertakings	217.1	220.3
Creditors: amounts falling due after more than one year		
Loans	(926.6)	(969.5)
Provisions for Liabilities and Charges	(14.0)	(10.9)
Pension – Defined Benefit Liability	(2.3)	(6.6)
Derivative Financial Instrument	(14.2)	(28.7)
Subordinated Loan Funding	(194.5)	(199.5)
NET ASSETS	**322.3**	**284.3**
Capital and Reserves		
Share Capital	84.0	84.0
Revaluation Reserve	338.1	341.4
Other Capital Reserves	7.6	7.6
Hedge Reserve	(8.5)	(16.0)
Profit and Loss Reserves	(98.9)	(132.7)
SHAREHOLDERS' FUNDS	**322.3**	**284.3**

CONSOLIDATED CASH FLOW

	Quarter 3 12 weeks to 28 May 2011 £m	YTD 2010/11 40 weeks to 28 May 2011 £m
Operating profit	27.8	101.3
Depreciation and amortisation	0.6	2.4
Cash flows from exceptional items	(0.1)	0.1
Decrease / (increase) in working capital	13.0	(4.6)
Net Cash Inflow from Operating Activities	41.3	99.2
Returns on Investment and Servicing of Finance		
Interest paid	(15.2)	(46.1)
Interest received	0.1	0.3
	(15.1)	(45.8)
Taxation Payments	(6.3)	(5.3)
Capital Expenditure and Financial Investment		
Investment spend on fixed assets	(5.6)	(15.9)
Receipt from sale of fixed assets	6.0	19.3
	0.4	3.4
Net Cash Inflow Before Financing	20.3	51.5
Financing		
Loans repaid	(6.8)	(39.6)
Amounts paid to other group undertakings	(21.4)	(28.7)
	(28.2)	(68.3)
NET DECREASE IN CASH	(7.9)	(16.8)

FINANCIAL RATIO COMPLIANCE CERTIFICATE

To: Deutsche Trustee Company Limited

1. We, Steve Dando and Ed Bashforth, 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 28 May 2011 was 1.52:1

ii) for the period of two Financial Quarters ending on 28 May 2011 was 1.53:1

(c) the FCF Ratio:

i) for the period of four Financial Quarters ending on 28 May 2011 was 1.45:1

i) for the period of two Financial Quarters ending on 28 May 2011 was 1.37:1

(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 20 August 2011.

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

EBITDA:	£28.4m
Look Back EBITDA:	There is no requirement to test this covenant until the last quarter ending prior to June 2022
Debt Service (£m)	£19.7m
Expected Class A Debt Service	There is no requirement to test this covenant until the quarter commencing in August 2028
Interest Charges (£m)	£14.0m

FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)

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

Free Cash Flow	£23.1m
Outlet EBITDA	£30.8m

The average and final balance of each of the Securitisation Group Entity Accounts:

	Average Balance (£m)	Final Balance (£m)
Operating / Collections A/cs	22.3	11.7
Disposal Proceeds A/c	10.8	9.6
Capex Reserve A/c	-	-

Minimum Maintenance CapEx Amount	£1.3m per semi-annual period
CapEx Amounts expended	£6.1m for the quarter
Number of Punch Taverns B Mortgaged Properties disposed of or acquired	Disposals - 30 Acquisitions - nil
Number of Pubs in Portfolio	2,082
Weighted Average Return on all CapEx Amounts spent on all trading Pubs (in accordance with clause 16.8(c) of IBFA)	21.7%
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;

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.

Dated: 12th July 2011

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

Finance Director

Director