



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

FINANCIAL REPORT – QUARTER 4 (AUGUST 2010)

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PUNCH TAVERNS FINANCE B
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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").

Profit Commentary

Trading results for the fourth quarter were as follows:

- **Sales**

Turnover for the 12 week period to 21 August 2010 was £51.8m, of which rent contributed 24.7%.

- **Gross Profits**

The total gross profit in the 12 week period to 21 August 2010 was £40.6m, which gave a gross profit margin of 78.4%.

- **Operating Margin and EBITDA**

Operating margin in the quarter has benefited by £10.0m through support provided by the Punch Taverns plc group.

Operating margin for the rolling 4 quarters to 21 August 2010 was 59.0% resulting in an EBITDA of £131.8m.

EBITDA per pub for the rolling 4 quarters is £56,900.



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Estate Portfolio

- During the period, 57 pubs were disposed of for net proceeds of £11.0m.

	Quarter 4 12 weeks to 21 August 2010	2009/10 52 weeks to 21 August 2010
Number of Pubs		
Opening	2,235	2,509
Disposals	(57)	(331)
End of Period	<u>2,178</u>	<u>2,178</u>

Investment in Pub Estate

	Quarter 4 12 weeks to 21 August 2010 £m	2009/10 52 weeks to 21 August 2010 £m
Spend on existing pubs	8.6	17.2
Total Spend on Estate	<u>8.6</u>	<u>17.2</u>
Disposal Proceeds¹	<u>11.8</u>	<u>80.8</u>

¹ The proceeds in the current period include £0.8m (Year to date: £3m) 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 4</u>	<u>Rolling 2</u>	<u>Rolling 4</u>
	12 weeks to	24 weeks to	52 weeks to
	21 August	21 August	21 August
	2010	2010	2010
	<u>£m</u>	<u>£m</u>	<u>£m</u>
EBITDA	34.1	65.3	131.8
Interest Payable	14.8	29.8	66.6
Interest Receivable	(0.1)	(0.2)	(0.4)
Capital Repayments ¹	7.4	14.6	20.3
	<u>22.1</u>	<u>44.2</u>	<u>86.5</u>
Debt Service Cover Ratio	1.54:1	1.48:1	1.52:1

¹ Calculated on a forward accruals basis.

Interest Payments

	<u>Quarter 4</u>	<u>2009/10</u>
	12 weeks to	52 weeks to
	21 August	21 August
	2010	2010
	<u>£m</u>	<u>£m</u>
Interest Payments		
A3	3.7	14.8
A6	3.3	13.2
A7	2.6	10.7
A8	0.1	1.4
B1	1.4	5.6
B2	2.1	8.1
C	0.5	2.1
Swap payments	2.3	10.5
Other	0.3	1.4
	<u>16.3</u>	<u>67.8</u>



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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):

	<u>Relevant Period</u> <u>24 weeks</u> <u>ending</u> <u>21 August 2010</u> <u>£m</u>
Free Cash Flow	65.2
Less: Debt Service	(44.2)
Less: current period restriction of R(FCF) to 1.1: 1	(4.4)
Plus: prior period restriction of unapplied excess cash (A-B)	4.2
Excess Cash	<hr/> 20.8
Capex in the year	(17.2)
Add: capex funded from DPA	17.2
Capex required to be funded from excess cash	-
Add back: capex in the previous relevant period	3.7
Transfer to capex reserve account	-
Available Excess Cash	<hr/> <hr/> 24.5



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PROFIT AND LOSS ACCOUNT

	<u>Quarter 4</u> 12 weeks to 21 August 2010 <u>£m</u>	<u>2009/10</u> 52 weeks to 21 August 2010 <u>£m</u>
Turnover		
Beer (net of discounts)	30.9	133.0
Rent	12.8	57.8
Machines	1.3	6.3
Other	6.8	26.3
Total Turnover	<u>51.8</u>	<u>223.4</u>
Gross Profit		
Beer	22.9	79.6
Rent	12.8	57.8
Machines	1.3	6.3
Other	3.6	11.6
Total Gross Profit	<u>40.6</u>	<u>155.3</u>
Operating Costs	(6.5)	(23.5)
EBITDA	<u>34.1</u>	<u>131.8</u>
Impairment of Tangible Fixed Assets	(109.3)	(123.0)
Depreciation and Amortisation	(0.9)	(4.2)
Exceptional (Costs) / Income ¹	(0.6)	2.7
Cash Interest Receivable	0.1	0.4
Cash Interest Payable	(14.8)	(66.6)
Non-Cash Interest Charge	(0.6)	(1.8)
Subordinated Loan Interest	(6.6)	(27.7)
Movement in Fair Value of Interest Rate Swaps	(5.7)	(10.3)
Loss Before Taxation	<u>(104.3)</u>	<u>(98.7)</u>
Taxation	20.5	18.8
Loss for the Period	<u>(83.8)</u>	<u>(79.9)</u>

¹ 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.



PUNCH TAVERNS FINANCE B
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CONSOLIDATED BALANCE SHEET	Quarter 4	2008/09
	As at	As at
	21 August	22 August
	2010	2009
	£m	£m
Fixed Assets		
Goodwill	(14.7)	(15.7)
Tangible Fixed Assets	1,314.0	1,490.6
	<u>1,299.3</u>	<u>1,474.9</u>
Debtors		
Trade	11.1	17.8
Prepayments	1.9	2.7
	<u>13.0</u>	<u>20.5</u>
Cash at Bank and In Hand	37.2	141.9
CURRENT ASSETS	50.2	162.4
Creditors: amounts falling due within one year		
Loans	(27.0)	(22.2)
Trade Creditors	(3.4)	(1.2)
Other Creditors	(11.0)	(12.1)
Group Relief	-	(6.1)
Social Security and Other Taxes	(4.6)	(8.7)
Accruals and Deferred Income	(17.5)	(20.3)
	<u>(63.5)</u>	<u>(70.6)</u>
NET CURRENT (LIABILITIES) / ASSETS	(13.3)	91.8
TOTAL ASSETS LESS CURRENT LIABILITIES	1,286.0	1,566.7
Creditors: amounts falling due after more than one year		
Loans	(969.3)	(1,170.7)
Provisions for Liabilities and Charges	(11.6)	(10.8)
Pension – Defined Benefit Liability	(6.6)	(9.8)
Derivative Financial Instrument	(35.8)	(34.2)
Amounts due from Group Undertakings	237.0	206.6
NET ASSETS	<u><u>499.7</u></u>	<u><u>547.8</u></u>
Capital and Reserves		
Share Capital	84.0	84.0
Revaluation Reserve	378.1	384.9
Other Capital Reserves	7.6	7.6
Hedge Reserve	(16.0)	(7.2)
Subordinated Loan Funding	199.5	175.7
Profit and Loss Reserves	(153.5)	(97.2)
SHAREHOLDERS' FUNDS	<u><u>499.7</u></u>	<u><u>547.8</u></u>



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CONSOLIDATED CASH FLOW

	<u>Quarter 4</u> <u>12 weeks to</u> <u>21 August</u> <u>2010</u> <u>£m</u>	<u>2009/10</u> <u>52 weeks to</u> <u>21 August</u> <u>2010</u> <u>£m</u>
Operating profit	33.2	127.6
Depreciation and amortisation	0.9	4.2
Cash flows from exceptional items	(0.5)	(1.1)
Decrease / (increase) in working capital	8.6	(16.2)
Net Cash Inflow from Operating Activities	<u>42.2</u>	<u>114.5</u>
Returns on Investment and Servicing of Finance		
Interest paid	(16.3)	(67.8)
Interest received	0.1	0.4
	<u>(16.2)</u>	<u>(67.4)</u>
Taxation Payments	-	(6.1)
Capital Expenditure and Financial Investment		
Investment spend on fixed assets	(8.6)	(17.2)
Receipt from sale of fixed assets	9.7	85.4
	<u>1.1</u>	<u>68.2</u>
Net Cash Inflow Before Financing	27.1	109.2
Financing		
Loans repaid	(8.2)	(192.9)
Swap break costs	-	(17.0)
Amounts paid to other group undertakings	(4.0)	(4.0)
	<u>(12.2)</u>	<u>(213.9)</u>
NET INCREASE / (DECREASE) IN CASH	<u><u>14.9</u></u>	<u><u>(104.7)</u></u>



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FINANCIAL RATIO COMPLIANCE CERTIFICATE

To: Deutsche Trustee Company Limited

1. We, Phil Dutton 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 21 August 2010 was 1.52:1
 - ii) for the period of two Financial Quarters ending on 21 August 2010 was 1.48:1
- (c) the FCF Ratio:
 - i) for the period of four Financial Quarters ending on 21 August 2010 was 1.52:1
 - ii) for the period of two Financial Quarters ending on 21 August 2010 was 1.47:1
- (e) the Net Worth of the New Securitisation Group calculated in accordance with Clause 15.3 of the Issuer / Borrower Facility Agreement for the Financial Quarter ending on 21 August 2010 was £320.7m.
- (f) for the purposes of calculating the above, the following values were relevant for the Financial Quarter just ended:

EBITDA:	£34.1m
Look Back EBITDA:	There is no requirement to test this covenant until the last quarter ending prior to June 2022
Debt Service (£m)	£22.1m
Expected Class A Debt Service	There is no requirement to test this covenant until the quarter commencing in August 2028
Interest Charges (£m)	£14.8m



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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 £34.0m

Outlet EBITDA £37.2m

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)
20.4	19.6
13.3	17.9
-	-

Minimum Maintenance CapEx Amount £1.4m per semi-annual period

CapEx Amounts expended £9.6m for the quarter

Number of Punch Taverns B Mortgaged
Properties disposed of or acquired Disposals - 57
Acquisitions - nil

Number of Pubs in Portfolio 2,178

Weighted Average Return on all CapEx 16.2%
Amounts spent on all trading Pubs (in
accordance with clause 16.8(c) of IBFA)

Excess Cash £20.8m

(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;