



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

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**FINANCIAL REPORT – QUARTER 2 (MARCH 2009)**

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

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# **FINANCIAL REPORT – QUARTER 2 (MARCH 2009)**

## **Introduction**

This report covers the 12 week period to 7 March 2009, which is the second quarter of the 2008/09 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 made a loan note buy-back, the key elements of which are as follows:

- Purchased Class B1 floating rate notes 2025 with principal value of £12.4m.

## **Profit Commentary**

Trading results for the second quarter were as follows:

- **Sales**

Turnover for the 12 week period to 7 March 2009 was £58.9m, of which rent contributed 28.3%.

- **Gross Profits**

The total gross profit in the 12 week period to 7 March 2009 was £38.1m, which gave a gross profit margin of 64.8%.

- **Operating Margin and EBITDA**

Operating margin for the 12 week period to 7 March 2009 was 56.3% resulting in an EBITDA of £33.2m. This is an increase in operating margin of 0.1% as compared to the 12 week period to 1 March 2008 when EBITDA was £34.9m.

EBITDA per pub for the rolling 4 quarters is £55,600\*.

Operating margin for the rolling 4 quarters to 7 March 2009 was 55.8% resulting in an EBITDA of £152.6m\*.

\* Rolling 4 quarters covers a 53 week period.



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**Estate Portfolio**

- During the period, 29 pubs were disposed of individually, for net proceeds of £10.6m .

	<b><u>Quarter 2</u></b> <b>12 weeks to</b> <b>7 March</b> <b>2009</b>	<b><u>YTD</u></b> <b>28 weeks to</b> <b>7 March</b> <b>2009</b>
<b>Number of Pubs</b>		
Opening	2,747	2,750
Disposals	<u>(29)</u>	<u>(32)</u>
<b>End of Period</b>	<b><u>2,718</u></b>	<b><u>2,718</u></b>

**Investment in Pub Estate**

	<b><u>Quarter 2</u></b> <b>12 weeks to</b> <b>7 March</b> <b>2009</b> <b>£m</b>	<b><u>YTD</u></b> <b>28 weeks to</b> <b>7 March</b> <b>2009</b> <b>£m</b>
Spend on existing pubs	<u>2.2</u>	<u>5.4</u>
<b>Total Spend on Estate</b>	<b><u>2.2</u></b>	<b><u>5.4</u></b>
<b>Disposal Proceeds<sup>1</sup></b>	<b><u>11.1</u></b>	<b><u>11.9</u></b>

<sup>1</sup> The proceeds in the current period include £0.5m (Year to date: £0.6m) 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 2</u>	<u>Rolling 2</u>	<u>Rolling 4</u>
	12 weeks to	28 weeks to	53 weeks to
	7 March 2009	7 March 2009	7 March 2009
	<u>£m</u>	<u>£m</u>	<u>£m</u>
<b>EBITDA</b>	<b>33.2</b>	<b>77.1</b>	<b>152.6</b>
Interest Payable	17.6	41.3	78.5
Interest Receivable	(0.2)	(1.1)	(2.8)
Capital Repayments <sup>1</sup>	-	-	-
	<u>17.4</u>	<u>40.2</u>	<u>75.7</u>
<b>Debt Service Cover Ratio</b>	<b>1.90:1</b>	<b>1.92:1</b>	<b>2.02:1</b>

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

**Interest and Capital Payments**

	<u>Quarter 2</u>	<u>YTD</u>
	12 weeks to	28 weeks to
	7 March 2009	7 March 2009
	<u>£m</u>	<u>£m</u>
<b>Interest Payments</b>		
A3	3.7	7.4
A6	3.2	6.5
A7	3.0	6.0
A8	3.7	7.8
B1	1.8	3.4
B2	2.2	4.4
C	2.3	4.5
Swap payments / (receipts)	(1.2)	(2.1)
Other	0.4	0.7
	<u>19.1</u>	<u>38.6</u>

Capital repayments do not commence until December 2009.



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**FINANCIAL REPORT – QUARTER 2 (MARCH 2009)**

**Restricted Payments**

The following payments to Punch Taverns (PMH) Limited 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>28 weeks</u> <u>ending</u> <u>7 March 2009</u> <u>£m</u>
Free Cash Flow	77.1
Less: Debt Service	(40.2)
Less: current period restriction of R(FCF) to 1.3: 1	(12.1)
Plus: prior period restriction of unapplied excess cash (A-B)	10.7
Excess Cash	<hr/> 35.5
Capex in relevant period	(5.4)
Add: capex funded from DPA	-
Capex required to be funded from excess cash	<hr/> (5.4)
Transfer to capex reserve account	(10.0)
<b>Available Excess Cash:</b>	
<b>Total Permitted Restricted Payment</b>	<hr/> <b>20.1</b> <hr/>
<b>Utilisation to date:</b>	
Q2 2008/09 – Purchase of Class B1 floating rate notes 2025	2.4
Q3 2008/09 – Repayment of Borrower subordinated loan accrued interest	12.4
Q3 2008/09 – Repayment of Borrower subordinated loan principal	5.1
	<hr/> <b>19.9</b> <hr/>



**PUNCH TAVERNS FINANCE B**  
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**PROFIT AND LOSS ACCOUNT**

	<b>Quarter 2</b> <b>12 weeks to</b> <b>7 March</b> <b>2009</b> <b>£m</b>	<b>YTD</b> <b>28 weeks to</b> <b>7 March</b> <b>2009</b> <b>£m</b>
<b>Turnover</b>		
Beer (net of discounts)	34.3	80.7
Rent	16.7	39.8
Machines	2.0	4.6
Other	5.9	14.5
<b>Total Turnover</b>	<b>58.9</b>	<b>139.6</b>
<b>Gross Profit</b>		
Beer	17.0	40.6
Rent	16.7	39.8
Machines	2.0	4.6
Other	2.4	5.8
<b>Total Gross Profit</b>	<b>38.1</b>	<b>90.8</b>
Operating Costs	(4.9)	(13.7)
<b>EBITDA</b>	<b>33.2</b>	<b>77.1</b>
Profit / (Loss) on Disposal	0.1	(0.4)
Depreciation and Amortisation	(1.2)	(2.7)
Exceptional Income <sup>1</sup>	8.7	11.9
Cash Interest Receivable	0.2	1.1
Cash Interest Payable	(17.6)	(41.3)
Non-Cash Interest Charge	(0.5)	(0.9)
Subordinated Loan Interest	(6.1)	(14.4)
<b>Profit Before Taxation</b>	<b>16.8</b>	<b>30.4</b>
Taxation	(3.7)	(7.7)
<b>Profit for the Period</b>	<b>13.1</b>	<b>22.7</b>

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



**PUNCH TAVERNS FINANCE B**  
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**CONSOLIDATED BALANCE SHEET**

	<u>Quarter 2</u> As at 7 March 2009 £m	<u>2007/08</u> As at 23 August 2008 £m
<b>Fixed Assets</b>		
Goodwill	(16.1)	(16.6)
Tangible Fixed Assets	1,690.3	1,698.4
	<u>1,674.2</u>	<u>1,681.8</u>
<b>Debtors</b>		
Trade	14.3	15.9
Prepayments	3.0	4.0
	<u>17.3</u>	<u>19.9</u>
Cash at Bank and In Hand	57.2	79.0
<b>CURRENT ASSETS</b>	74.5	98.9
<b>Creditors: amounts falling due within one year</b>		
Loans	(6.9)	-
Trade Creditors	(1.4)	(1.4)
Other Creditors	(12.8)	(13.5)
Corporation Tax	-	-
Social Security and Other Taxes	(4.8)	(6.4)
Accruals and Deferred Income	(23.7)	(21.9)
	<u>(49.6)</u>	<u>(43.2)</u>
<b>NET CURRENT ASSETS</b>	24.9	55.7
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	1,699.1	1,737.5
<b>Creditors: amounts falling due after more than one year</b>		
Loans	(1,191.9)	(1,235.5)
	<u>507.2</u>	<u>502.0</u>
Provisions for Liabilities and Charges	(3.3)	(12.5)
Pension – Defined Benefit Liability	(9.9)	(4.5)
Derivative Financial Instrument	(58.9)	(6.6)
Amounts due from Group Undertakings	205.8	203.8
<b>NET ASSETS</b>	<u><u>640.9</u></u>	<u><u>682.2</u></u>
<b>Capital and Reserves</b>		
Share Capital	84.0	84.0
Revaluation Reserve	387.3	388.7
Other Capital Reserves	7.6	7.6
Hedge Reserve	(39.3)	(1.2)
Subordinated Loan Funding	181.8	202.4
Profit and Loss Reserves	19.5	0.7
<b>SHAREHOLDERS' FUNDS</b>	<u><u>640.9</u></u>	<u><u>682.2</u></u>



**PUNCH TAVERNS FINANCE B**  
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**CONSOLIDATED CASH FLOW**

	<u>Quarter 2</u> <u>12 weeks to</u> <u>7 March</u> <u>2009</u> <u>£m</u>	<u>YTD</u> <u>28 weeks to</u> <u>7 March</u> <u>2009</u> <u>£m</u>
Operating profit	32.0	74.4
Depreciation and amortisation	1.2	2.7
Cash flows from exceptional items	(0.6)	(0.9)
Increase in working capital	(8.2)	(9.6)
<b>Net Cash Inflow from Operating Activities</b>	<u>24.4</u>	<u>66.6</u>
<b>Returns on Investment and Servicing of Finance</b>		
Interest paid	(19.1)	(38.6)
Interest received	0.2	1.3
	<u>(18.9)</u>	<u>(37.3)</u>
<b>Capital Expenditure and Financial Investment</b>		
Investment spend on fixed assets	(2.2)	(5.4)
Receipt from sale of fixed assets	11.1	11.9
	<u>8.9</u>	<u>6.5</u>
<b>Equity Dividends Paid</b>	-	-
<b>Net Cash Inflow Before Financing</b>	<u>14.4</u>	<u>35.8</u>
<b>Financing</b>		
Loans repaid	(2.4)	(22.6)
Amounts paid to other group undertakings	-	(35.0)
	<u>(2.4)</u>	<u>(57.6)</u>
<b>NET INCREASE / (DECREASE) IN CASH</b>	<u><u>12.0</u></u>	<u><u>(21.8)</u></u>



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**FINANCIAL RATIO COMPLIANCE CERTIFICATE**

To: Deutsche Trustee Company Limited

1. We, Phil Dutton and Neil Preston each being a director of Punch Taverns (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 7 March 2009 was 2.02:1
  - ii) for the period of two Financial Quarters ending on 7 March 2009 was 1.92:1
- (c) the FCF Ratio:
  - i) for the period of four Financial Quarters ending on 7 March 2009 was 2.00:1
  - ii) for the period of two Financial Quarters ending on 7 March 2009 was 1.91:1
- (d) the Peak Debt Service Ratio is not required to be tested until the Financial Quarter ending on 22 August 2009.
- (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 22 August 2009.
- (f) for the purposes of calculating the above, the following values were relevant for the Financial Quarter just ended:

EBITDA:	£33.2m
Look Back EBITDA:	There is no requirement to test this covenant until the last quarter ending prior to June 2022
Debt Service (£m)	£17.4m
Expected Class A Debt Service	There is no requirement to test this covenant until the quarter commencing in August 2028
Interest Charges (£m)	£17.6m



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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 £33.2m  
 Outlet EBITDA £34.4m

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

Operating / Collections A/cs  
 Disposal Proceeds A/c

Average Balance (£m)	Final Balance (£m)
41.0	44.7
3.7	12.9

Minimum Maintenance CapEx Amount £1.6m per semi-annual period  
 CapEx Amounts expended £3.0m for the quarter  
 Number of Punch Taverns B Mortgaged Properties disposed of or acquired Disposals - 29  
 Acquisitions - nil  
 Number of Pubs in Portfolio 2,718  
 Weighted Average Return on all CapEx Amounts spent on all trading Pubs (in accordance with clause 16.8(c) of IBFA) 6.3%  
 Excess Cash Not required to be 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;

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: 21 April 2009

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

.....  
 Finance Director

.....  
 Director