



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

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**FINANCIAL REPORT – QUARTER 1 (DECEMBER 2014)**

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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 1 (DECEMBER 2014)**

**Introduction**

This report covers the 16 week period to 13 December 2014, which is the first quarter of the 2014/15 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 first quarter were as follows:

- **Sales**  
Turnover for the 16 week period to 13 December 2014 was £49.2m, of which rent contributed 24.0%
  
- **Gross Profits**  
The total gross profit in the 16 week period to 13 December 2014 was £28.9m, which gave a gross profit margin of 58.7%.

- **EBITDA**  
EBITDA in the 16 week period to 13 December 2014 amounted to £23.1m, split as below:

Core estate	£23.4m
Non-core estate	£3.5m
Central costs	£(3.8)m

- **Restructuring of the Punch B securitisation**

On the 8 October 2014 Punch Taverns plc announced the successful completion of the restructuring process.

Immediately following completion of the restructuring, the revised debt structure of the Punch B securitisation was as set out below:

Class of Notes	Notional	Cash coupon	PIK coupon	Maturity
Super Senior Swap Loan	£49.0m	Libor+0.400%	-	2019
A3	£146.9m	7.369%	-	2021
A6	£220.0m	5.943%	-	2022
A7	£149.1m	5.267%	-	2024
B3	£72.9m	7.750%	-	2025
Gross debt	£637.9m			

Further details of the net debt structure of the Punch B securitisation following completion of the restructuring can be viewed on the Punch Taverns plc website [www.punchtavernsplc.com](http://www.punchtavernsplc.com).

- **Transfer of segment assets**

On 17 January 2015 (post the quarter end) 24 pubs were transferred from the Core estate to the Non-core estate with 24 pubs transferring back to the Core estate from the Non-core estate.



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**Estate Portfolio**

- During the period, 53 pubs were disposed of individually.

	<u>Quarter 1 - pre restructuring</u> 6.5 weeks to 8 October 2014	<u>Quarter 1 - post restructuring</u> 9.5 weeks to 13 December 2014	<u>2013/14</u> 52 weeks to 23 August 2014
<b>Number of Core Pubs</b>			
Opening	1,142	1,137	1,112
Transfer from Non-core	-	-	49
Lease expiry / unlicensed	-	-	(1)
Disposals	(5)	(6)	(18)
<b>End of Period</b>	<u>1,137</u>	<u>1,131</u>	<u>1,142</u>
<b>Number of Non-core Pubs</b>			
Opening	409	376	563
Transfer to Core	-	-	(49)
Lease expiry / unlicensed	-	-	(3)
Disposals	(33)	(9)	(102)
<b>End of Period</b>	<u>376</u>	<u>367</u>	<u>409</u>

**Investment in Pub Estate**

	<u>Quarter 1</u> 16 weeks to 13 December 2014 <u>£m</u>	<u>2013/14</u> 52 weeks to 23 August 2014 <u>£m</u>
Spend on Core pubs	3.3	16.7
Spend on Non-core / Unlicensed / Central assets	0.8	2.8
<b>Total Spend on Estate</b>	<u>4.1</u>	<u>19.5</u>
Proceeds from Core pubs	4.9	12.6
Proceeds from Non-core assets	8.5	20.8
<b>Total Disposal Proceeds</b>	<u>13.4</u>	<u>33.4</u>



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**Interest Cover Ratio**

The Interest Cover Ratio has not been tested this quarter. This ratio will be tested in the financial quarter ending 7 March 2015.

**Free Cash Flow to Debt Service Ratio**

The Free Cash Flow to Debt Service Ratio has not been tested this quarter. This ratio will be tested in the financial quarter ending 7 March 2015.

**Net Debt**

Nominal value of net debt:

	<b>As at 13 December 2014 £m</b>		<b>As at 23 August 2014 £m</b>
Swap Loan	49.0	A3	151.0
A3	146.9	A6	220.0
A6	220.0	A7	152.2
A7	140.5	A8	43.6
B3	72.9	B1	61.5
		B2	99.4
		C1	106.1
Gross Debt	<u>629.3</u>		<u>833.8</u>
Cash	29.3		72.3
Net Debt	<u>600.0</u>		<u>761.5</u>



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**Excess Cash**

	<u>Relevant Period</u> <u>16 weeks</u> <u>ending</u> <u>13 December 2014</u> <u>£m</u>
Collection Account	37.8
Operating Account	(9.7)
Working capital reserve	(10.0)
Retained Cash not utilised	(5.8)
Debt Service Accrual	(13.5)
Total	<hr/> <hr/> <hr/> (1.2)
<b>Excess Cash Amount</b>	<hr/> <hr/> <hr/> -
<b>Disposal Proceeds Account</b>	<hr/> <hr/> <hr/> 1.3



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**FINANCIAL REPORT – QUARTER 1 (DECEMBER 2014)**

**Net Senior Leverage**

	<u>Quarter 1</u> <u>Rolling 4</u> quarters to 13 December 2014 <u>£m</u>
<b>EBITDA</b>	<u><u>77.6</u></u>
Net Senior Debt <sup>1</sup>	527.1
Liquidity Facility amounts outstanding	-
	<u><u>527.1</u></u>
<b>Ratio of Net Senior Debt plus Liquidity Facility amounts outstanding to EBITDA</b>	<b>6.8:1</b>

<sup>1</sup> excluding any hedge mark-to-market



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**PROFIT AND LOSS ACCOUNT**

	<u>Quarter 1</u> 16 weeks to 13 December 2014 <u>£m</u>	<u>Year to date</u> 16 weeks to 13 December 2014 <u>£m</u>
<b>Turnover</b>		
Beer (net of discounts)	29.1	29.1
Rent	11.8	11.8
Machines	1.2	1.2
Other	7.1	7.1
<b>Total Turnover</b>	<u>49.2</u>	<u>49.2</u>
<b>Gross Profit</b>		
Beer	13.1	13.1
Rent	11.8	11.8
Machines	1.2	1.2
Other	2.8	2.8
<b>Total Gross Profit</b>	<u>28.9</u>	<u>28.9</u>
Operating Costs	(5.8)	(5.8)
<b>EBITDA</b>	<u>23.1</u>	<u>23.1</u>
Property Related Losses	(0.9)	(0.9)
Depreciation and Amortisation	(0.3)	(0.3)
Exceptional Items	21.3	21.3
Cash Interest Receivable	0.5	0.5
Cash Interest Payable	(14.3)	(14.3)
Subordinated Loan Interest	(4.1)	(4.1)
<b>Profit Before Taxation</b>	<u>25.3</u>	<u>25.3</u>
Taxation	(0.8)	(0.8)
<b>Profit for the Period</b>	<u>24.5</u>	<u>24.5</u>



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**CONSOLIDATED BALANCE SHEET**

	As at 13 December 2014 <u>£m</u>	As at 23 August 2014 <sup>1</sup> <u>£m</u>
<b>Fixed Assets</b>		
Goodwill	(10.4)	(10.7)
Tangible Fixed Assets	826.0	836.7
	815.6	826.0
<b>Debtors</b>		
Trade	9.0	9.4
Prepayments	3.2	2.7
	12.2	12.1
Cash at Bank and In Hand	29.3	72.3
Restricted Cash	-	168.0
<b>CURRENT ASSETS</b>	41.5	252.4
<b>Creditors: amounts falling due within one year</b>		
Loans	(21.8)	(33.0)
Trade Creditors	(1.6)	(0.7)
Other Creditors	(8.6)	(8.6)
Social Security and Other Taxes	(2.7)	(1.0)
Accruals and Deferred Income	(11.3)	(15.7)
Derivative Financial Instruments	-	(6.9)
Cash-backed Borrowings	-	(168.0)
	(46.0)	(233.9)
<b>NET CURRENT (LIABILITIES) / ASSETS</b>	(4.5)	18.5
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	811.1	844.5
Amounts due from Group Undertakings	(1.3)	221.5
<b>Creditors: amounts falling due after more than one year</b>		
Loans	(604.2)	(807.6)
Provisions for Liabilities and Charges	(5.3)	(5.3)
Pension – Defined Benefit Liability	(2.8)	(3.4)
Derivative Financial Instruments	-	(42.5)
Subordinated Loan Funding	(2.9)	(227.1)
<b>NET ASSETS / (LIABILITIES)</b>	<b>194.6</b>	<b>(19.9)</b>
<b>Capital and Reserves</b>		
Share Capital	-	84.0
Share Premium	2.7	91.6
Revaluation Reserve	77.4	76.7
Other Capital Reserve	(84.0)	(84.0)
Hedge Reserve	0.0	0.0
Subordinated Loan Funding	-	-
Profit and Loss Reserves	198.5	(188.2)
<b>SHARHOLDERS' FUNDS / (DEFICIT)</b>	<b>194.6</b>	<b>(19.9)</b>

<sup>1</sup> The figures at 23 August 2014 have been restated from those shown in the quarter 4 (August 2014) report, to reflect adjustments made on finalisation of the underlying statutory accounts, being £3.8m deferred tax and £(3.2)m corporation tax.





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**CONSOLIDATED CASH FLOW**

	<u>Quarter 1</u> <u>16 weeks</u> <u>13 December</u> <u>2014</u> <u>£m</u>	<u>Year to date</u> <u>16 weeks</u> <u>13 December</u> <u>2014</u> <u>£m</u>
Operating profit	22.9	22.9
Depreciation and amortisation	0.3	0.3
Increase in working capital	(9.6)	(9.6)
<b>Net Cash Inflow from Operating Activities</b>	<u>13.6</u>	<u>13.6</u>
<b>Returns on Investment and Servicing of Finance</b>		
Interest paid	(15.4)	(15.4)
Interest received	0.8	0.8
	<u>(14.6)</u>	<u>(14.6)</u>
<b>Capital Expenditure and Financial Investment</b>		
Investment spend on fixed assets	(4.1)	(4.1)
Receipt from sale of fixed assets	13.4	13.4
	<u>9.3</u>	<u>9.3</u>
<b>Net Cash Inflow Before Financing</b>	8.3	8.3
<b>Financing</b>		
Loans repaid	(8.2)	(8.2)
Financial restructuring	(43.1)	(43.1)
	<u>(51.3)</u>	<u>(51.3)</u>
<b>NET DECREASE IN CASH</b>	<u><u>(43.0)</u></u>	<u><u>(43.0)</u></u>



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**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 (Financial Covenants) of the Issuer / Borrower Facility Agreement have been observed;
- (b) The Interest Cover Ratio is not calculated this quarter. This ratio will be tested in the financial quarter ending 7 March 2015.
- (c) The Free Cash Flow Ratio is not calculated this quarter. This ratio will be tested in the financial quarter ending 7 March 2015.
- (d) as at the Financial Quarter Date for the Relevant Period ending on 13 December 2014, Net Senior Leverage was 6.8:1.
- (e) the Net Worth of the New Securitisation Group calculated in accordance with Clause 15.1 (D) (Net Worth) of the Issuer/Borrower Facility Agreement is not tested this quarter. Net Worth will be tested as at 22 August 2015.
- (f) for the purposes of calculating the ratios, above, the following values were relevant for the Relevant Period just ended:

Relevant period  
53 weeks to  
13 December 2014

**EBITDA:** **£77.6**

- (g) in addition, the following values were relevant for the Financial Quarter(s) and Interest Period just ended:

the average and final balance of each of the New Securitisation Group Entity Accounts during the Financial Quarter and on Financial Quarter Date were:

	<b>Average</b>	<b>Final Balance</b>
	<b>£m</b>	<b>£m</b>
Excess cash	-	-
Capex	-	-
Collection	31.2	37.8
Disposal Proceeds	0.5	1.3
Debt Service Reserve	-	-
Cure	-	-
Suspense	-	-
Operating	(3.7)	(9.8)



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**FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)**

	<b>Financial Quarter Date</b> <b>13 December 2014</b> <b>£m</b>
the amount of Core Disposal Proceeds standing to credit of the Disposal Proceeds Account	1.3
the amounts standing to the credit of the Cure Account	-
the cumulative aggregate amount transferred to the Debt Service Reserve Account	-
the amounts standing to credit of the Debt Service Reserve Account	-
the amounts standing to the credit of the Suspense Account	-
Minimum CapEx Amount	1.7
CapEx Amounts Expended	5.3
the amounts standing to the credit of the Excess Cash Account	-
Applied Restricted Funds	-
Reserved Collection Account Amounts	-
Senior Liabilities	562.4
Shortfall	-
Swap Loan Redemption Amount	-
Number of Punch Taverns B Mortgaged Properties disposed of or acquired (number)	53
Number of Pubs in Portfolio (number)	1,498
Excess Cash Amount	-
Weighted Average Return on all CapEx Amounts spend on all trading Pubs during the 24 months (%)	66.1



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**FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)**

- (h) The Borrower Accounts have been operated in compliance with the conditions of operation of the Borrower Accounts;
  - (i) as of the date of this Certificate, no Borrower Event or Default or Potential Borrower Event of Default (which in either case, has not previously been notified to the Security Trustee) has occurred;
3. In accordance with Clause 14.1(C)(ii)(r) (Financial Statements) of the Issuer/Borrower Facility Agreement, we confirm that:
- (a) there have been no material amendments made to the Material Contracts since the date of the last Financial Ratio Compliance Certificate;
  - (b) there have been no Material Contracts entered into since the date of the last Financial Ratio Compliance Certificate which contain a prohibition on assigning;
  - (c) there have been no Material Contracts where consent to assignment has been obtained, where such consent was required;
  - (d) there have been no new franchise agreements or licences which we consider, acting in good faith, to be material to the interests of the Issuer and the Security Trustee.
4. In accordance with clause 16.3(N) (Tenancy Agreements) of the Issuer/Borrower Facility Agreement, the Borrower hereby certifies to the Borrower Security Trustee that aggregate Relevant Changes during the preceding 12 month period have not exceeded 3 per cent. of aggregate TA Receivables.



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5. Terms used in the Financial Ratio Compliance Certificate that are not defined herein shall have the meaning given to them in the Master Definitions and Construction Schedule dated 8 October 2014.

Dated: 27 January 2014

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

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Finance Director

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Director