



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

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**FINANCIAL REPORT – QUARTER 4 (AUGUST 2015)**

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without the written authority of Punch Taverns plc**



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

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### **FINANCIAL REPORT – QUARTER 4 (AUGUST 2015)**

#### **Introduction**

This report covers the 12 week period to 22 August 2015, which is the fourth 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 fourth quarter were as follows:

- **Sales**  
Turnover for the 12 week period to 22 August 2015 was £37.9m, of which rent contributed 22.2%
- **Gross Profits**  
The total gross profit in the 12 week period to 22 August 2015 was £22.1m, which gave a gross profit margin of 58.3%.
- **EBITDA**  
EBITDA in the 12 week period to 22 August 2015 amounted to £13.8m, split as below:

Core estate	£17.8m
Non-core estate	£1.4m
Central costs	£(5.4)m



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**Estate Portfolio**

- During the period, 11 pubs were disposed of individually, and 7 pubs were converted to unlicensed properties.

	<u>Quarter 4</u> 12 weeks to 22 August 2015	<u>YTD</u> 52 weeks to 22 August 2015
<b>Number of Core Pubs</b>		
Opening	1,130	1,142
Lease expiry / unlicensed	(2)	(3)
Disposals	(5)	(16)
<b>End of Period</b>	<u><u>1,123</u></u>	<u><u>1,123</u></u>
<b>Number of Non-core Pubs</b>		
Opening	341	409
Lease expiry / unlicensed	(5)	(6)
Disposals	(6)	(73)
<b>End of Period</b>	<u><u>330</u></u>	<u><u>330</u></u>

**Investment in Pub Estate**

	<u>Quarter 4</u> 12 weeks to 22 August 2015	<u>YTD</u> 52 weeks to 22 August 2015
	<u>£m</u>	<u>£m</u>
Spend on Core pubs	4.6	13.4
Spend on Non-core / Unlicensed / Central assets	0.9	2.7
<b>Total Spend on Estate</b>	<u><u>5.5</u></u>	<u><u>16.1</u></u>
Proceeds from Core pubs	6.4	11.3
Proceeds from Non-core assets	1.8	16.6
<b>Total Disposal Proceeds</b>	<u><u>8.2</u></u>	<u><u>27.9</u></u>



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**Interest Cover Ratio**

	<u>Quarter 4</u> Rolling 4 quarters to 22 August 2015 <u>£m</u>
<b>EBITDA</b>	<b>71.0</b>
Interest Charges <sup>1</sup>	<b>37.7</b>
<b>Interest Cover Ratio</b>	<b>1.9:1</b>

<sup>1</sup> Calculated based on the scheduled interest on the four interest payment dates immediately following the Fifth Closing Date.

**Free Cash Flow to Debt Service Ratio**

	<u>Quarter 4</u> Rolling 4 quarters to 22 August 2015 <u>£m</u>
<b>Free Cash Flow</b>	<b>83.2</b>
Interest Charges <sup>1</sup>	37.7
Repayments of Principal <sup>2</sup>	27.4
	<b>65.1</b>
<b>Free Cash Flow to Debt Service Ratio</b>	<b>1.3:1</b>

<sup>1</sup> Calculated based on the scheduled interest on the four interest payment dates immediately following the Fifth Closing Date.

<sup>2</sup> Calculated based on the scheduled amortisation on the four interest payment dates immediately following the Fifth Closing Date.



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**Net Debt**

Nominal value of net debt:

	<b>As at 22 August 2015 £m</b>		<b>As at 23 August 2014 £m</b>
Swap Loan	37.2	A3	151.0
A3	137.9	A6	220.0
A6	220.0	A7	152.2
A7	140.1	A8	43.6
B3	72.9	B1	61.5
		B2	99.4
		C1	106.1
Gross Debt	<u>608.1</u>		<u>833.8</u>
Cash	34.8		72.3
Net Debt	<u>573.3</u>		<u>761.5</u>



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**Excess Cash**

	<u>Relevant Period</u> <u>12 weeks</u> <u>ending</u> <u>22 August 2015</u> <u>£m</u>
Collection Account	16.9
Eligible Investments	10.0
Operating Account	-
Working Capital Reserve	(10.0)
Debt Service Accrual	(15.8)
Total	<hr/> 1.1
<b>Excess Cash Amount</b>	<hr/> <b>1.1</b> <hr/>
<b>Disposal Proceeds Account</b>	<hr/> <b>6.4</b> <hr/>



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**FINANCIAL REPORT – QUARTER 4 (AUGUST 2015)**

**Net Senior Leverage**

	<u>Quarter 4</u> <u>Rolling 4</u> <u>quarters to</u> <u>22 August</u> <u>2015</u> <u>£m</u>
<b>EBITDA</b>	<b><u>71.0</u></b>
Net Senior Debt	500.4
Liquidity Facility amounts outstanding	-
	<b><u>500.4</u></b>
<b>Ratio of Net Senior Debt plus Liquidity Facility amounts outstanding to EBITDA</b>	<b>7.0:1</b>



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

	<u>Quarter 4</u> 12 weeks to 22 August 2015 <u>£m</u>	<u>Year to date</u> 52 weeks to 22 August 2015 <u>£m</u>
<b>Turnover</b>		
Beer (net of discounts)	22.6	95.9
Rent	8.4	37.4
Machines	0.9	3.9
Other	6.0	23.2
<b>Total Turnover</b>	<u>37.9</u>	<u>160.4</u>
<b>Gross Profit</b>		
Beer	10.5	43.8
Rent	8.4	37.4
Machines	0.9	3.9
Other	2.3	8.8
<b>Total Gross Profit</b>	<u>22.1</u>	<u>93.9</u>
Operating Costs	(8.3)	(22.9)
<b>EBITDA</b>	<u>13.8</u>	<u>71.0</u>
Impairment of Tangible Fixed Assets	(10.2)	(10.2)
Property Related Profits / (Losses)	1.6	(0.1)
Depreciation and Amortisation	(1.0)	(2.4)
Exceptional Items	(0.1)	20.4
Cash Interest Receivable	-	0.6
Cash Interest Payable	(8.5)	(40.3)
Non-Cash Interest Charge	(0.2)	(4.8)
<b>(Loss) / Profit Before Taxation</b>	<u>(4.6)</u>	<u>34.2</u>
Taxation	3.1	-
<b>(Loss) / Profit for the Period</b>	<u>(1.5)</u>	<u>34.2</u>





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**CONSOLIDATED BALANCE SHEET**

	As at 22 August 2015 £m	As at 23 August 2014 <sup>1</sup> £m
<b>Fixed Assets</b>		
Goodwill	(9.8)	(10.7)
Tangible Fixed Assets	808.1	836.7
	<u>798.3</u>	<u>826.0</u>
<b>Debtors</b>		
Trade	8.4	9.4
Prepayments	2.9	2.7
	<u>11.3</u>	<u>12.1</u>
Cash at Bank and In Hand	34.8	72.3
Restricted Cash	-	168.0
<b>CURRENT ASSETS</b>	<u>46.1</u>	<u>252.4</u>
<b>Creditors: amounts falling due within one year</b>		
Loans	(25.5)	(33.0)
Trade Creditors	(1.5)	(0.7)
Other Creditors	(8.5)	(8.6)
Social Security and Other Taxes	(2.0)	(1.0)
Accruals and Deferred Income	(11.5)	(15.7)
Amounts owed to Group Undertakings	(4.3)	-
Derivative Financial Instruments	-	(6.9)
Cash-backed Borrowings	-	(168.0)
	<u>(53.3)</u>	<u>(233.9)</u>
<b>NET CURRENT (LIABILITIES) / ASSETS</b>	<u>(7.2)</u>	<u>18.5</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>791.1</u>	<u>844.5</u>
Amounts due from Group Undertakings	-	221.5
<b>Creditors: amounts falling due after more than one year</b>		
Loans	(579.6)	(807.6)
Provisions for Liabilities and Charges	(5.0)	(5.3)
Pension – Defined Benefit Liability	(4.9)	(3.4)
Derivative Financial Instruments	-	(42.5)
Subordinated Loan Funding	(3.1)	(227.1)
<b>NET ASSETS / (LIABILITIES)</b>	<u><u>198.5</u></u>	<u><u>(19.9)</u></u>
<b>Capital and Reserves</b>		
Share Capital	-	84.0
Share Premium	2.7	91.6
Revaluation Reserve	75.1	76.7
Other Capital Reserves	(84.0)	(84.0)
Profit and Loss Reserves	204.7	(188.2)
<b>SHARHOLDERS' FUNDS / (DEFICIT)</b>	<u><u>198.5</u></u>	<u><u>(19.9)</u></u>

<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 4</u> <u>12 weeks to</u> <u>22 August</u> <u>2015</u> <u>£m</u>	<u>Year to date</u> <u>52 weeks to</u> <u>22 August</u> <u>2015</u> <u>£m</u>
Operating profit	12.8	68.6
Depreciation and amortisation	1.0	2.4
Cash flows from exceptional items	-	(0.1)
Decrease / (increase) in working capital	7.8	(5.1)
<b>Net Cash Inflow from Operating Activities</b>	<u>21.6</u>	<u>65.8</u>
<b>Returns on Investment and Servicing of Finance</b>		
Interest paid	(9.7)	(43.2)
Interest received	0.1	1.1
	<u>(9.6)</u>	<u>(42.1)</u>
<b>Capital Expenditure and Financial Investment</b>		
Investment spend on fixed assets	(5.5)	(16.1)
Receipt from sale of fixed assets	8.2	27.9
	<u>2.7</u>	<u>11.8</u>
<b>Net Cash Inflow Before Financing</b>	14.7	35.5
<b>Financing</b>		
Loans repaid	(6.6)	(29.1)
Financial restructuring	-	(43.9)
	<u>(6.6)</u>	<u>(73.0)</u>
<b>NET INCREASE / (DECREASE) IN CASH</b>	<u><u>8.1</u></u>	<u><u>(37.5)</u></u>



**PUNCH TAVERNS FINANCE B**  
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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) as at the Financial Quarter Date for the Relevant Period ending on 22 August 2015, the Interest Cover Ratio was 1.9:1.
- (c) as at the Financial Quarter Date for the Relevant Period ending on 22 August 2015, the Free Cash Flow Ratio was 1.3:1.
- (d) as at the Financial Quarter Date for the Relevant Period ending on 22 August 2015, Net Senior Leverage was 7.0:1.
- (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 for the Financial Quarter commencing on (and including) 23 August 2014 and ending on (but excluding) 22 August 2015 was £201.6m.
- (f) for the purposes of calculating the ratios, above, the following values were relevant for the Relevant Period just ended:

	<u>Relevant period</u> <u>Rolling 4</u> <u>quarters to</u> <u>22 August 2015</u>
<b>EBITDA:</b>	<b>£71.0m</b>
<b>Debt Service:</b>	<b>£65.1m</b>
<b>Interest Charges:</b>	<b>£37.7m</b>
<b>Free Cash Flow:</b>	<b>£83.2m</b>

- (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*	31.3	26.9
Disposal Proceeds	5.5	6.4
Debt Service Reserve*	1.6	1.6
Cure	-	-
Suspense	-	-
Operating	(4.9)	-

\* Including eligible investments.



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**FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)**

	Financial Quarter Date 22 August 2015 £m
the amount of Core Disposal Proceeds standing to credit of the Disposal Proceeds Account	6.4
the amounts standing to the credit of the Cure Account	-
the cumulative aggregate amount transferred to the Debt Service Reserve Account*	1.6
the amounts standing to credit of the Debt Service Reserve Account*	1.6
the amounts standing to the credit of the Suspense Account	-
Minimum CapEx Amount	2.1
CapEx Amounts Expended	7.2
the amounts standing to the credit of the Excess Cash Account	-
Applied Restricted Funds	-
Reserved Collection Account Amounts	1.1
Senior Liabilities	539.9
Shortfall	-
Swap Loan Redemption Amount	-
Number of Punch Taverns B Mortgaged Properties disposed of or acquired (number)	11
Number of Pubs in Portfolio (number)	1,453
Excess Cash Amount	1.1
Weighted Average Return on all CapEx Amounts spend on all trading Pubs during the 24 months (%)	54.6%

\*Including Eligible Investments.



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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 of 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)(t) (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: 6 October 2015

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

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Finance Director

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Director