



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

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2016)

CONTENTS

	<i>Page</i>
Introduction	2
Profit Commentary	2
Estate Portfolio	3
Investment in Pub Estate	3
Interest Cover Ratio	4
Free Cash Flow to Debt Service Ratio	4
Net Debt	5
Excess Cash	6
Net Senior Leverage	7
Profit and Loss Account	8
Consolidated Balance Sheet	9
Consolidated Cash Flow	10
Financial Ratio Compliance Certificate	11 - 14

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

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2016)

Introduction

This report covers the 16 week period to 10 December 2016, which is the first quarter of the 2016/17 financial year.

This report is prepared under International Financial Reporting Standards (“IFRS”).

Profit Commentary

Trading results for the first quarter were as follows:

- **Sales**
Turnover for the 16 week period to 10 December 2016 was £45.5m, of which rent contributed 23.3%.
- **Gross Profits**
The total gross profit in the 16 week period to 10 December 2016 was £26.1m, which gave a gross profit margin of 57.4%.
- **EBITDA**
EBITDA in the 16 week period to 10 December 2016 amounted to £20.0m.



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

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2016)

Estate Portfolio

- During the period, 10 pubs were disposed of individually.

	Quarter 1 16 weeks to 10 December 2016	YTD 16 weeks to 10 December 2016
Number of Core Pubs		
Opening	1,115	1,115
Disposals	(1)	(1)
End of Period	1,114	1,114
Number of Non-core Pubs		
Opening	214	214
Disposals	(9)	(9)
End of Period	205	205

Investment in Pub Estate

	Quarter 1 16 weeks to 10 December 2016 £m	YTD 16 weeks to 10 December 2016 £m
Spend on Core pubs	6.2	6.2
Spend on Non-core / Unlicensed / Central assets	1.9	1.9
Total Spend on Estate	8.1	8.1
Proceeds from Core pubs	0.4	0.4
Proceeds from Non-core assets	1.7	1.7
Total Disposal Proceeds	2.1	2.1



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

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2016)

Interest Cover Ratio

	<u>Quarter 1</u> Rolling 4 quarters to 10 December <u>£m</u>
EBITDA	<u><u>67.4</u></u>
Interest Charges	<u><u>36.1</u></u>
Interest Cover Ratio	1.9:1

Free Cash Flow to Debt Service Ratio

	<u>Quarter 1</u> Rolling 4 quarters to 10 December <u>£m</u>
Free Cash Flow	<u><u>61.2</u></u>
Interest Charges	36.1
Repayments of Principal	25.1
	<u><u>61.2</u></u>
Free Cash Flow to Debt Service Ratio	1:1



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

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2016)

Net Debt

Nominal value of net debt:

	As at 10 December 2016 £m	As at 20 August 2016 £m
Swap Loan	11.0	12.9
A3	116.4	120.5
A6	220.0	220.0
A7	139.0	139.3
B3	72.9	72.9
Gross Debt	<u>559.3</u>	<u>565.6</u>
Cash	40.2	37.3
Net Debt	<u>519.1</u>	<u>528.3</u>



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

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2016)

Excess Cash

	<u>Relevant Period</u> <u>16 weeks</u> <u>ending</u> <u>10 December 2016</u> <u>£m</u>
Collection Account*	28.3
Operating Account	(8.2)
Working Capital Reserve	(10.0)
Debt Service Accrual	(15.1)
Total	<hr/> <hr/> <hr/> (5.0)
Excess Cash Amount	<hr/> <hr/> <hr/> -
Disposal Proceeds Account	<hr/> <hr/> <hr/> 0.4

*Including Eligible Investments



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

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2016)

Net Senior Leverage

	<u>Quarter 1</u> Rolling 4 quarters to 10 December 2016 <u>£m</u>
EBITDA	<u>67.4</u>
Net Senior Debt	446.2
Liquidity Facility amounts outstanding	-
	<u>446.2</u>
Ratio of Net Senior Debt plus Liquidity Facility amounts outstanding to EBITDA	6.6:1



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

PROFIT AND LOSS ACCOUNT

	<u>Quarter 1</u> <u>16 weeks to</u> <u>10 December</u> <u>2016</u> <u>£m</u>	<u>Year to date</u> <u>16 weeks to</u> <u>10 December</u> <u>2016</u> <u>£m</u>
Turnover		
Beer (net of discounts)	26.6	26.6
Rent	10.6	10.6
Machines	1.1	1.1
Other	7.2	7.2
Total Turnover	<u>45.5</u>	<u>45.5</u>
Gross Profit		
Beer	12.1	12.1
Rent	10.6	10.6
Machines	1.1	1.1
Other	2.3	2.3
Total Gross Profit	<u>26.1</u>	<u>26.1</u>
Operating Costs	(6.1)	(6.1)
EBITDA	<u>20.0</u>	<u>20.0</u>
Property Related Profits	0.3	0.3
Depreciation and Amortisation	(0.7)	(0.7)
Exceptional Items	(0.1)	(0.1)
Cash Interest Payable	(11.0)	(11.0)
Non-Cash Interest Charge	(0.3)	(0.3)
Profit Before Taxation	<u>8.2</u>	<u>8.2</u>
Taxation	(1.8)	(1.8)
Profit for the Period	<u>6.4</u>	<u>6.4</u>



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

CONSOLIDATED BALANCE SHEET

	As at 10 December 2016	As at 20 August 2016¹
	£m	£m
Fixed Assets		
Tangible Fixed Assets	782.9	777.5
NON CURRENT ASSETS	<u>782.9</u>	<u>777.5</u>
Debtors		
Trade	7.3	7.7
Prepayments	2.3	2.5
Non-current assets classified as held for sale	6.8	7.0
	<u>16.4</u>	<u>17.2</u>
Cash at Bank and In Hand	40.2	37.3
CURRENT ASSETS	<u>56.6</u>	<u>54.5</u>
Creditors: amounts falling due within one year		
Loans	(24.2)	(24.7)
Trade Creditors	(1.6)	(2.4)
Other Creditors	(8.1)	(8.2)
Social Security and Other Taxes	(2.3)	(1.6)
Accruals and Deferred Income	(11.7)	(10.1)
Amounts owed to Group Undertakings	(10.2)	(4.1)
	<u>(58.1)</u>	<u>(51.1)</u>
NET CURRENT (LIABILITIES) / ASSETS	<u>(1.5)</u>	<u>3.4</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>781.4</u>	<u>780.9</u>
Creditors: amounts falling due after more than one year		
Loans	(532.7)	(538.3)
Provisions for Liabilities and Charges	(5.6)	(3.3)
Pension – Defined Benefit Liability	(9.0)	(11.7)
Subordinated Loan Funding	(3.4)	(3.3)
	<u>(550.7)</u>	<u>(556.6)</u>
NET ASSETS	<u><u>230.7</u></u>	<u><u>224.3</u></u>
Capital and Reserves		
Share Capital	-	-
Share Premium	2.7	2.7
Revaluation Reserve	100.5	100.6
Merger reserve	91.6	91.6
Profit and Loss Reserves	35.9	29.4
	<u>230.7</u>	<u>224.3</u>
SHAREHOLDERS' FUNDS	<u><u>230.7</u></u>	<u><u>224.3</u></u>

¹ Restated for audit adjustments.



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

CONSOLIDATED CASH FLOW

	<u>Quarter 1</u> <u>Year to date</u> <u>16 weeks to</u> <u>10 December</u> <u>2016</u> <u>£m</u>	<u>Quarter 1</u> <u>Prior Year to</u> <u>date</u> <u>16 weeks to</u> <u>12 December</u> <u>2015</u> <u>£m</u>
Operating profit	19.3	20.8
Depreciation and amortisation	0.7	0.3
Cash flows from exceptional items	(0.1)	(0.1)
Decrease / (increase) in working capital	4.3	(4.5)
Net Cash Inflow from Operating Activities	<u>24.2</u>	<u>16.5</u>
Returns on Investment and Servicing of Finance		
Interest paid	(9.1)	(9.2)
Interest received	0.1	0.1
	<u>(9.0)</u>	<u>(9.1)</u>
Capital Expenditure and Financial Investment		
Investment spend on fixed assets	(8.1)	(5.8)
Receipt from sale of fixed assets	2.1	31.2
	<u>(6.0)</u>	<u>25.4</u>
Net Cash Inflow Before Financing	9.2	32.8
Financing		
Loans repaid	(6.3)	(8.5)
NET INCREASE IN CASH	<u><u>2.9</u></u>	<u><u>24.3</u></u>



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

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 10 December 2016, the Interest Cover Ratio was 1.9:1.
- (c) as at the Financial Quarter Date for the Relevant Period ending on 10 December 2016, the Free Cash Flow Ratio was 1:1.
- (d) as at the Financial Quarter Date for the Relevant Period ending on 10 December 2016, Net Senior Leverage was 6.6:1.
- (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 19 August 2017.
- (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>10 December 2016</u>
EBITDA:	£67.4m
Debt Service:	£61.2m
Interest Charges:	£36.1m
Free Cash Flow:	£61.2m

- (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:

	Average	Final Balance
	£m	£m
Excess cash	-	-
Capex	-	-
Collection*	23.3	28.3
Disposal Proceeds	0.1	0.4
Debt Service Reserve*	20.0	20.0
Cure	-	-
Suspense	-	-
Operating	(5.5)	(8.2)

* Including eligible investments.



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

FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)

	Financial Quarter Date 10 December 2016 £m
the amount of Core Disposal Proceeds standing to credit of the Disposal Proceeds Account	0.4
the amounts standing to the credit of the Cure Account	-
the cumulative aggregate amount transferred to the Debt Service Reserve Account*	20.0
the amounts standing to credit of the Debt Service Reserve Account*	20.0
the amounts standing to the credit of the Suspense Account	-
Minimum CapEx Amount	2.7
CapEx Amounts Expended	9.1
the amounts standing to the credit of the Excess Cash Account	-
Applied Restricted Funds	-
Reserved Collection Account Amounts	-
Senior Liabilities	492.3
Shortfall	-
Swap Loan Redemption Amount	-
Number of Punch Taverns B Mortgaged Properties disposed of or acquired (number)	10
Number of Pubs in Portfolio (number)	1,319
Excess Cash Amount	-
Weighted Average Return on all CapEx Amounts spend on all trading Pubs during the 24 months (%)	47.7%

*Including Eligible Investments.



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

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.



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

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: 24 January 2017

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

Finance Director

Director