



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

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2015)

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

FINANCIAL REPORT – QUARTER 1 (DECEMBER 2015)

Introduction

This report covers the 16 week period to 12 December 2015, which is the first quarter of the 2015/16 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 12 December 2015 was £46.4m, of which rent contributed 22.8%.
- **Gross Profits**
The total gross profit in the 16 week period to 12 December 2015 was £27.2m, which gave a gross profit margin of 58.6%.
- **EBITDA**
EBITDA in the 16 week period to 12 December 2015 amounted to £21.1m, split as below:

Core estate	£23.4m
Non-core estate	£2.4m
Central costs	£(4.7)m



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Estate Portfolio

- During the period, 19 pubs were disposed of individually, 74 pubs were disposed of as part of packages, for net proceeds of £23.8m and 2 pubs were converted to unlicensed properties.

	<u>Quarter 1</u> 16 weeks to 12 December 2015	<u>YTD</u> 16 weeks to 12 December 2015
Number of Core Pubs		
Opening	1,123	1,123
Lease expiry / unlicensed	(1)	(1)
Disposals	(5)	(5)
End of Period	<u>1,117</u>	<u>1,117</u>
Number of Non-core Pubs		
Opening	330	330
Lease expiry / unlicensed	(1)	(1)
Disposals	(88)	(88)
End of Period	<u>241</u>	<u>241</u>

Investment in Pub Estate

	<u>Quarter 1</u> 16 weeks to 12 December 2015 £m	<u>YTD</u> 16 weeks to 12 December 2015 £m
Spend on Core pubs	5.7	5.7
Spend on Non-core / Unlicensed / Central assets	0.1	0.1
Total Spend on Estate	<u>5.8</u>	<u>5.8</u>
Proceeds from Core pubs	2.7	2.7
Proceeds from Non-core assets	28.5	28.5
Total Disposal Proceeds	<u>31.2</u>	<u>31.2</u>



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Interest Cover Ratio

	<u>Quarter 1</u> Rolling 4 quarters to 12 December 2015 <u>£m</u>
EBITDA	<u>68.9</u>
Interest Charges	<u>37.4</u>
Interest Cover Ratio	1.8:1

Free Cash Flow to Debt Service Ratio

	<u>Quarter 1</u> Rolling 4 quarters to 12 December 2015 <u>£m</u>
Free Cash Flow	<u>96.9</u>
Interest Charges	37.4
Repayments of Principal	26.6
	<u>64.0</u>
Free Cash Flow to Debt Service Ratio	1.5:1



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Net Debt

Nominal value of net debt:

	As at 12 December 2015 £m	As at 22 August 2015 £m
Swap Loan	33.4	37.2
A3	133.4	137.9
A6	220.0	220.0
A7	139.9	140.1
B3	72.9	72.9
Gross Debt	<u>599.6</u>	<u>608.1</u>
Cash	59.1	34.8
Net Debt	<u>540.5</u>	<u>573.3</u>



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Excess Cash

	<u>Relevant Period</u> <u>16 weeks</u> <u>ending</u> <u>12 December 2015</u> <u>£m</u>
Collection Account*	58.4
Operating Account	(9.6)
Working Capital Reserve	(10.0)
Debt Service Accrual	(15.9)
Total	<hr/> 22.9
Excess Cash Amount	<hr/> 22.9 <hr/>
Disposal Proceeds Account	<hr/> 3.2 <hr/>

*Including Eligible Investments



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Net Senior Leverage

	<u>Quarter 1</u> Rolling 4 quarters to 12 December 2015 <u>£m</u>
EBITDA	<u>68.9</u>
Net Senior Debt	467.6
Liquidity Facility amounts outstanding	-
	<u>467.6</u>
Ratio of Net Senior Debt plus Liquidity Facility amounts outstanding to EBITDA	6.8:1



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PROFIT AND LOSS ACCOUNT

	<u>Quarter 1</u> 16 weeks to 12 December 2015 <u>£m</u>	<u>Year to date</u> 16 weeks to 12 December 2015 <u>£m</u>
Turnover		
Beer (net of discounts)	27.7	27.7
Rent	10.6	10.6
Machines	1.1	1.1
Other	7.0	7.0
Total Turnover	<u>46.4</u>	<u>46.4</u>
Gross Profit		
Beer	12.9	12.9
Rent	10.6	10.6
Machines	1.1	1.1
Other	2.6	2.6
Total Gross Profit	<u>27.2</u>	<u>27.2</u>
Operating Costs	(6.1)	(6.1)
EBITDA	<u>21.1</u>	<u>21.1</u>
Property Related Profits / (Losses)	1.5	1.5
Depreciation and Amortisation	(0.3)	(0.3)
Exceptional Items	(0.1)	(0.1)
Cash Interest Receivable	0.1	0.1
Cash Interest Payable	(11.4)	(11.4)
Non-Cash Interest Charge	(0.2)	(0.2)
Profit Before Taxation	<u>10.7</u>	<u>10.7</u>
Taxation	(2.0)	(2.0)
Profit for the Period	<u>8.7</u>	<u>8.7</u>



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CONSOLIDATED BALANCE SHEET

	As at 12 December 2015 £m	As at 22 August 2015 ¹ £m
Fixed Assets		
Goodwill	(9.5)	(9.8)
Tangible Fixed Assets	779.9	803.5
	<u>770.4</u>	<u>793.7</u>
Debtors		
Trade	7.8	8.4
Prepayments	2.8	2.9
	<u>10.6</u>	<u>11.3</u>
Cash at Bank and In Hand	59.1	34.8
CURRENT ASSETS	<u>69.7</u>	<u>46.1</u>
Creditors: amounts falling due within one year		
Loans	(25.1)	(25.5)
Trade Creditors	(2.2)	(1.5)
Other Creditors	(8.2)	(8.5)
Social Security and Other Taxes	(2.2)	(2.0)
Accruals and Deferred Income	(13.6)	(11.5)
Amounts owed to Group Undertakings	(2.0)	(4.4)
	<u>(53.3)</u>	<u>(53.4)</u>
NET CURRENT ASSETS / (LIABILITIES)	<u>16.4</u>	<u>(7.3)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>786.8</u>	<u>786.4</u>
Creditors: amounts falling due after more than one year		
Loans	(571.6)	(579.6)
Provisions for Liabilities and Charges	(2.7)	(2.7)
Pension – Defined Benefit Liability	(4.6)	(4.9)
Subordinated Loan Funding	(3.1)	(3.1)
	<u>(582.0)</u>	<u>(590.3)</u>
NET ASSETS	<u><u>204.8</u></u>	<u><u>196.1</u></u>
Capital and Reserves		
Share Capital	-	-
Share Premium	2.7	2.7
Revaluation Reserve	89.9	89.9
Merger reserve	91.6	91.6
Profit and Loss Reserves	20.6	11.9
	<u>204.8</u>	<u>196.1</u>
SHAREHOLDERS' FUNDS	<u><u>204.8</u></u>	<u><u>196.1</u></u>

¹ The figures at 22 August 2015 have been restated from those shown in the quarter 4 (August 2015) report, to reflect adjustments made on finalisation of the underlying statutory accounts, being the finalisation of the corporation and deferred tax provision and the amendment of the revaluation of the property portfolio following the annual audit.



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CONSOLIDATED CASH FLOW

	<u>Quarter 1</u> <u>Year to date</u> <u>16 weeks to</u> <u>12 December</u> <u>2015</u> <u>£m</u>	<u>Quarter 1</u> <u>Year to date</u> <u>16 weeks to</u> <u>13 December</u> <u>2014</u> <u>£m</u>
Operating profit	20.8	22.9
Depreciation and amortisation	0.3	0.3
Cash flows from exceptional items	(0.1)	-
Increase in working capital	(4.5)	(9.6)
Net Cash Inflow from Operating Activities	16.5	13.6
Returns on Investment and Servicing of Finance		
Interest paid	(9.2)	(15.4)
Interest received	0.1	0.8
	(9.1)	(14.6)
Capital Expenditure and Financial Investment		
Investment spend on fixed assets	(5.8)	(4.1)
Receipt from sale of fixed assets	31.2	13.4
	25.4	9.3
Net Cash Inflow Before Financing	32.8	8.3
Financing		
Loans repaid	(8.5)	(8.2)
Financial restructuring	-	(43.1)
	(8.5)	(51.3)
NET INCREASE / (DECREASE) IN CASH	24.3	(43.0)



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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 12 December 2015, the Interest Cover Ratio was 1.8:1.
- (c) as at the Financial Quarter Date for the Relevant Period ending on 12 December 2015, the Free Cash Flow Ratio was 1.5:1.
- (d) as at the Financial Quarter Date for the Relevant Period ending on 12 December 2015, 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 20 August 2016.
- (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>12 December 2015</u>
EBITDA:	£68.9m
Debt Service:	£64.0m
Interest Charges:	£37.4m
Free Cash Flow:	£96.9m

- (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*	49.7	58.4
Disposal Proceeds	3.5	3.2
Debt Service Reserve*	5.6	7.2
Cure	-	-
Suspense	-	-
Operating	(4.5)	(9.6)

* Including eligible investments.



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FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)

	Financial Quarter Date 12 December 2015 £m
the amount of Core Disposal Proceeds standing to credit of the Disposal Proceeds Account	3.2
the amounts standing to the credit of the Cure Account	-
the cumulative aggregate amount transferred to the Debt Service Reserve Account*	7.2
the amounts standing to credit of the Debt Service Reserve Account*	7.2
the amounts standing to the credit of the Suspense Account	-
Minimum CapEx Amount	2.8
CapEx Amounts Expended	6.7
the amounts standing to the credit of the Excess Cash Account	-
Applied Restricted Funds	-
Reserved Collection Account Amounts	22.9
Senior Liabilities	533.2
Shortfall	-
Swap Loan Redemption Amount	1.9
Number of Punch Taverns B Mortgaged Properties disposed of or acquired (number)	93
Number of Pubs in Portfolio (number)	1,358
Excess Cash Amount	22.9
Weighted Average Return on all CapEx Amounts spend on all trading Pubs during the 24 months (%)	54.7%

*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: 26 January 2016

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

Finance Director

Director