

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

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**FINANCIAL REPORT – QUARTER 4 (AUGUST 2019)**

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**This report is confidential and should not be onwardly distributed without the written authority of Punch Taverns**

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**FINANCIAL REPORT – QUARTER 4 (AUGUST 2019)**

**Introduction**

This report covers the 12 week period to 18 August 2019, which is the fourth quarter of the 2018/19 financial year.

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

**Profit Commentary**

Trading results for the fourth quarter were as follows:

- **Sales**  
Turnover for the 12 week period to 18 August 2019 was £36.2m, of which rent contributed 25.4%.
- **Gross Profits**  
The total gross profit in the 12 week period to 18 August 2019 was £19.9m, which gave a gross profit margin of 55.0%.
- **EBITDA**  
EBITDA in the 12 week period to 18 August 2019 amounted to £15.3m.

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**Estate Portfolio**

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

	<u>Quarter 4</u> 12 weeks to 18 August 2019	<u>YTD</u> 52 weeks to 18 August 2019
<b>Number of Core Pubs</b>		
Opening	1,055	1,078
Lease expiry / unlicensed	-	(1)
Disposals	(6)	(28)
<b>End of Period</b>	<u>1,049</u>	<u>1,049</u>
<b>Number of Non-core Pubs</b>		
Opening	144	151
Lease expiry / unlicensed	-	(1)
Disposals	(5)	(11)
<b>End of Period</b>	<u>139</u>	<u>139</u>

**Investment in Pub Estate**

	<u>Quarter 4</u> 12 weeks to 18 August 2019	<u>YTD</u> 52 weeks to 18 August 2019
	<u>£m</u>	<u>£m</u>
Spend on Core pubs	7.4	28.3
Spend on Non-core / Unlicensed / Central assets	2.9	7.0
<b>Total Spend on Estate</b>	<u>10.3</u>	<u>35.3</u>
Proceeds from Core pubs	2.7	14.2
Proceeds from Non-core assets	2.9	10.3
<b>Total Disposal Proceeds</b>	<u>5.6</u>	<u>24.5</u>

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**FINANCIAL REPORT – QUARTER 4 (AUGUST 2019)**

**Interest Cover Ratio**

	<u>Quarter 4</u> Rolling 4 quarters to 18 August 2019 <u>£m</u>
<b>EBITDA</b>	<u><u>65.2</u></u>
Interest Charges	<u><u>33.0</u></u>
<b>Interest Cover Ratio</b>	<b>2.0:1</b>

**Free Cash Flow to Debt Service Ratio**

	<u>Quarter 4</u> Rolling 4 quarters to 18 August 2019 <u>£m</u>
<b>Free Cash Flow</b>	<u><u>45.0</u></u>
Interest Charges	33.0
Repayments of Principal	7.1
	<u><u>40.1</u></u>
<b>Free Cash Flow to Debt Service Ratio</b>	<b>1.1:1</b>

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**FINANCIAL REPORT – QUARTER 4 (AUGUST 2019)**

**Net Debt**

Nominal value of net debt:

	<b>As at 18 August 2019 £m</b>	<b>As at 18 August 2018 £m</b>
A3	99.8	104.3
A6	208.8	210.5
A7	135.5	136.8
B3	72.9	72.9
Gross Debt	517.0	524.5
Cash	73.4	71.7
Net Debt	443.6	452.8

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### FINANCIAL REPORT – QUARTER 4 (AUGUST 2019)

#### Excess Cash

	<u>Relevant Period</u> <u>12 weeks</u> <u>ending</u> <u>18 August 2019</u> <u>£m</u>
Collection Account*	7.5
Operating Account	6.7
Working Capital Reserve	(10.0)
Debt Service Accrual	(10.1)
Total	<hr/> <hr/> <u>(5.9)</u>
<b>Excess Cash Amount</b>	<hr/> <hr/> <u><b>-</b></u>
<b>Disposal Proceeds Account*</b>	<hr/> <hr/> <u><b>41.3</b></u>

\*Including Eligible Investments

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**FINANCIAL REPORT – QUARTER 4 (AUGUST 2019)**

**Net Senior Leverage**

	<u>Quarter 4</u> Rolling 4 quarters to 18 August 2019 <u>£m</u>
<b>EBITDA</b>	<u><u>65.2</u></u>
Net Senior Debt	370.7
Liquidity Facility amounts outstanding	-
	<u><u>370.7</u></u>
<b>Ratio of Net Senior Debt plus Liquidity Facility amounts outstanding to EBITDA</b>	<b>5.7:1</b>

# PUNCH

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

### PROFIT AND LOSS ACCOUNT

	<u>Quarter 4</u> 12 weeks to 18 August 2019	<u>Year to date</u> 52 weeks to 18 August 2019
	<u>£m</u>	<u>£m</u>
<b>Turnover</b>		
Beer (net of discounts)	19.2	88.0
Rent	9.2	37.6
Machines	0.8	3.4
Other	7.0	26.4
<b>Total Turnover</b>	<u>36.2</u>	<u>155.4</u>
<b>Gross Profit</b>		
Beer	7.9	40.4
Rent	9.2	37.6
Machines	0.8	3.4
Other	2.0	7.5
<b>Total Gross Profit</b>	<u>19.9</u>	<u>88.9</u>
Operating Costs	(4.6)	(23.7)
<b>EBITDA</b>	<u>15.3</u>	<u>65.2</u>
Impairment of Tangible Fixed Assets	(3.1)	(3.4)
Movement in Valuation of Properties	(5.8)	(5.8)
Property Related Profits	0.1	7.4
Depreciation and Amortisation	(1.2)	(5.1)
Exceptional Items <sup>1</sup>	(0.9)	(1.8)
Cash Interest Receivable	0.1	0.4
Cash Interest Payable	(7.6)	(33.4)
Non-Cash Interest Charge	(1.3)	(1.9)
<b>(Loss) / Profit Before Taxation</b>	<u>(4.4)</u>	<u>21.6</u>
Taxation	(1.2)	(5.7)
<b>(Loss) / Profit for the Period</b>	<u><u>(5.6)</u></u>	<u><u>15.9</u></u>

<sup>1</sup> Exceptional items relates to costs incurred on reorganisation of field and central support teams.



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**CONSOLIDATED BALANCE SHEET**

	<b>As at</b>	<b>As at</b>
	<b>18 August</b>	<b>18 August</b>
	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
<b>Fixed Assets</b>		
Tangible Fixed Assets	768.0	768.1
<b>NON CURRENT ASSETS</b>	<u>768.0</u>	<u>768.1</u>
<b>Debtors</b>		
Trade	5.5	6.5
Prepayments	2.4	1.0
Non-current Assets Classified as Held for Sale	17.8	10.7
	<u>25.7</u>	<u>18.2</u>
Cash at Bank and In Hand	73.4	71.7
<b>CURRENT ASSETS</b>	<u>99.1</u>	<u>89.9</u>
<b>Creditors: amounts falling due within one year</b>		
Loans	(8.1)	(7.1)
Trade Creditors	(2.4)	(2.2)
Other Creditors	(8.5)	(8.5)
Social Security and Other Taxes	(1.7)	(3.0)
Accruals and Deferred Income	(7.7)	(8.8)
Amounts owed to Group Undertakings	(4.5)	(11.3)
	<u>(32.9)</u>	<u>(40.9)</u>
<b>NET CURRENT ASSETS</b>	<u>66.2</u>	<u>49.0</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>834.2</u>	<u>817.1</u>
<b>Creditors: amounts falling due after more than one year</b>		
Loans	(507.5)	(515.6)
Provisions for Liabilities and Charges	(0.4)	(0.3)
Deferred Tax	(16.0)	(10.2)
Pension – Defined Benefit Liability	(4.3)	(2.1)
Subordinated Loan Funding	(4.0)	(3.8)
	<u>(532.2)</u>	<u>(532.0)</u>
<b>NET ASSETS</b>	<u><u>302.0</u></u>	<u><u>285.1</u></u>
<b>Capital and Reserves</b>		
Share Capital	-	-
Share Premium	2.7	2.7
Revaluation Reserve	111.9	103.6
Merger reserve	91.6	91.6
Profit and Loss Reserves	95.8	87.2
	<u>302.0</u>	<u>285.1</u>
<b>SHAREHOLDERS' FUNDS</b>	<u><u>302.0</u></u>	<u><u>285.1</u></u>

# PUNCH

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

### CONSOLIDATED CASH FLOW

	<u>Quarter 4</u> <u>Year to date</u> <u>52 weeks to</u> <u>18 August</u> <u>2019</u> <u>£m</u>	<u>Quarter 4</u> <u>Prior Year to</u> <u>date</u> <u>52 weeks to</u> <u>18 August</u> <u>2018</u> <u>£m</u>
Operating profit	51.0	61.0
Depreciation and amortisation	14.2	4.5
Cash flows from exceptional items	(1.8)	(3.7)
(Increase) / decrease in working capital	(10.3)	1.6
<b>Net Cash Inflow from Operating Activities</b>	<u>53.1</u>	<u>63.4</u>
<b>Returns on Investment and Servicing of Finance</b>		
Interest paid	(33.9)	(34.2)
Interest received	0.8	0.2
	<u>(33.1)</u>	<u>(34.0)</u>
<b>Capital Expenditure and Financial Investment</b>		
Investment spend on fixed assets	(35.3)	(15.0)
Receipt from sale of fixed assets	24.5	38.2
	<u>(10.8)</u>	<u>23.2</u>
<b>Net Cash Inflow Before Financing</b>	9.2	52.6
<b>Financing</b>		
Loans repaid	(7.5)	(12.5)
<b>NET INCREASE IN CASH</b>	<u><u>1.7</u></u>	<u><u>40.1</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 18 August 2019, the Interest Cover Ratio was 2.0:1.
- (c) as at the Financial Quarter Date for the Relevant Period ending on 18 August 2019, the Free Cash Flow Ratio was 1.1:1.
- (d) as at the Financial Quarter Date for the Relevant Period ending on 18 August 2019, Net Senior Leverage was 5.7:1.
- (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) 19 August 2018 and ending on 18 August 2019 was £306m.
- (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>18 August 2019</u>
<b>EBITDA:</b>	<b>£65.2m</b>
<b>Debt Service:</b>	<b>£40.1m</b>
<b>Interest Charges:</b>	<b>£33.0m</b>
<b>Free Cash Flow:</b>	<b>£45m</b>

- (g) in addition, the following values were relevant for the Financial Quarter(s) and Interest Period just 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	8.4	6.6
Capex	-	-
Collection*	12.0	7.5
Disposal Proceeds*	39.8	41.3
Debt Service Reserve*	11.4	11.4
Cure	-	-
Suspense	-	-
Operating	(6.2)	6.7

\* Including eligible investments.

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**FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)**

	<b>Financial Quarter Date</b> <b>18 August 2019</b> <b>£m</b>
the amount of Core Disposal Proceeds standing to credit of the Disposal Proceeds Account	41.3
the amounts standing to the credit of the Cure Account	-
transferred to the Debt Service Reserve Account*	20.0
the amounts standing to credit of the Debt Service Reserve Account*	11.4
the amounts standing to the credit of the Suspense Account	-
Minimum CapEx Amount	2.1
CapEx Amounts Expended	10.4
the amounts standing to the credit of the Excess Cash Account	6.6
Applied Restricted Funds	-
Reserved Collection Account Amounts	-
Senior Liabilities	447.8
Shortfall	-
Swap Loan Redemption Amount	-
Properties disposed of or acquired (number)	11
Number of Pubs in Portfolio (number)	1,188
Excess Cash Amount	-
Weighted Average Return on all CapEx Amounts spend on all trading Pubs during the 24 months (%)	75.9%

\*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 preceeding 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

Dated: 2 October 2019

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

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Finance Director

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Director