Registered No
3720775

Punch Taverns (PMH) Limited

Report and Consolidated Financial Statements

18 August 2012

Punch Taverns (PMH) Limited
Period ended 18 August 2012

DIRECTORS
E Bashforth
S Dando
Wilmington Trust SP Services Limited

SECRETARY
H Tyrrell

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Punch Taverns (PMH) Limited
Period ended 18 August 2012

DIRECTORS' REPORT

Registered No 3720775

The directors present their report and financial statements for the financial period ended 18 August 2012

RESULTS AND DIVIDENDS

The profit after taxation for the financial period amounted to £13,458,000 (52 week period ended 20 August 2011 loss after taxation of £46,751,000) The directors do not propose the payment of a final dividend (2011 £nil)

Before non-underlying items, the group has made a profit after taxation of £59,482,000 (2011 £59,718,000)

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is that of a holding company The principal activity of the group is the leasing of public houses to independent publicans and the wholesale supply of beer products to lessees

During the period, operating margin has benefited by £40,903,000 (2011 £36,273,000) as a result of reduced drinks costs following supply fee payments made to the drinks suppliers by the Punch Taverns group

Punch Taverns manages its operations at a group level and the directors therefore believe that disclosure of key performance indicators for the Punch Taverns (PMH) Limited group are not appropriate to understand the development, performance or position of the business The performance of the Punch Taverns group is discussed in the Punch Taverns plc Annual Report and Financial Statements which are publicly available

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the company can continue as a going concern for the foreseeable future, that is for at least 12 months from the date of signing of this report After making enquiries, and considering the matters which are described in note 1, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis However, the directors are making full disclosure, as required by accounting standards, to indicate the existence of material uncertainties facing the business Further details are set out in the note 1

RISKS AND UNCERTAINTIES

Liquidity risk
The group is primarily financed by secured loan notes, with 82% (2011 84%) of the capital balance on these loan notes being repayable after more than 5 years from the balance sheet date, subject to relevant covenants being met The board continues to review alternative sources of finance Further information on how the group manages its liquidity risk is provided in note 20 to the financial statements

Interest rate risk
The group is exposed to interest rate risk from its loan notes and borrows at both fixed and floating rates of interest The group employs derivative financial instruments such as interest rate swaps to generate the desired interest rate profile Further information on how the group manages its interest rate risk is provided in note 20 to the financial statements

Capital risk
The group's capital structure is made up of loan notes, issued share capital and reserves The group is able to generate sufficient returns to service the debt Debt is monitored by a variety of measures which are reported to debt providers on a quarterly basis

Financial covenant and refinancing risk
The group's securitisation arrangement has a Debt Service Cover Ratio (DSCR) and Net Worth financial covenant While there was significant headroom in the Net Worth financial covenant as at the year end, the group required financial support through the use of cash resources held outside of the securitisation to maintain compliance with its DSCR covenant Without this support, the group would have breached its DSCR covenant level in the year

Net support from cash resources held outside of the securitisation amounted to £16,103,000 for the year, being £40,903,000 of gross support less £24,800,000 of cash payments from the securitisation to the wider Punch Taverns group during the year

The ability of the securitisation to continue to make cash payments to the wider Punch Taverns group and to comply with its DSCR covenant in the near-term is dependent on either continuing to receive financial support from the Punch Taverns group or agreeing with the relevant securitisation stakeholders to amend the terms of the DSCR covenant

If a DSCR covenant breach were to occur, this could lead to circumstances in which the securitisation's lenders may be able to request early repayment of all outstanding borrowings Were this to occur, the securitisation may have insufficient cash resources to repay all of its borrowings

Covenants are closely monitored and stress-tested to ensure we are able to generate sufficient returns to service our debt and meet our covenant requirements A Group support mechanism has been in place throughout the year, whereby cash resources held outside of the securitisation has been used to lower the cost of drinks purchased by the securitisation to maintain compliance with its DSCR covenant

Additional options available to the group to improve the securitisation's DSCR covenant performance include the prepayment of debt using proceeds from the disposal of the non-core estate and the reduction of capital expenditure on the securitised estate, with surplus cash being used to repay debt

The Board of Punch Taverns plc has recently completed a review of the Group's capital structure and has commenced discussions with certain major shareholders and other significant stakeholders on a range of possible options available to restructure the groups securitisation arrangements in a consensual way, so as to enable the securitisation to continue to comply with its financial covenants (including the DSCR covenant) without the need for ongoing Group support The Board are of the opinion that it is in the best interests of stakeholders to agree to a consensual restructuring of the securitisation and the directors are of the view that a consensual restructuring can be achieved

DIRECTORS

The directors of the company who served during the period are listed on the two pages previous

A third party indemnity provision (as defined in section 234 of the Companies Act 2006) is in force for the benefit of the directors

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period, the company made charitable contributions of £nil (2011 £nil) The company made no political contributions during the period (2011 £nil)

CREDITOR PAYMENT POLICY AND PRACTICE

It is the company policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with

At 18 August 2012, the company had an average of nil days (2011 nil days) purchases outstanding in trade creditors

Punch Taverns (PMH) Limited
Period ended 18 August 2012

AUDIT INFORMATION

The directors confirm that, so far as they are aware, there is no relevant audit information of which the auditors are unaware and that each director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

AUDITORS

The company has elected to dispense with the obligation to appoint auditors annually under s487 of the Companies Act 2006

On behalf of the board

S Dando
Director
23 Oct 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PUNCH TAVERNS (PMH) LIMITED

We have audited the group and parent company financial statements of Punch Taverns (PMH) Limited for the period ended 18 August 2012 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group Note of Historical Cost Profits and Losses, the Group Balance Sheet, the Company Balance Sheet, the Group Cash Flow Statement and the related notes 1 to 28 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on the previous page, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion, the financial statements

- give a true and fair view of the state of the group and company's affairs as at 18 August 2012 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – Going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 of the financial statements in respect of going concern, in particular concerning the continuance of group support for the group, and the successful restructuring of the group's debt arrangements These conditions, along with the other matters explained in note 1 of the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the groups ability to continue as a going concern The financial statements do not include the adjustments that would result if the group were unable to continue as a going concern

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

GAWatts

G A Watts
Senior Statutory Auditor
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

23 October 2012

Punch Taverns (PMH) Limited

Period ended 18 August 2012

GROUP PROFIT & LOSS ACCOUNT

for the 52 week period ended 18 August 2012

		52 week period ended 18 August 2012			52 week period ended 20 August 2011		
	Notes	Underlying items	Non-underlying items (note 4)	Total	Underlying items	Non-underlying items (note 4)	Total
		£000	£000	£000	£000	£000	£000
TURNOVER	2	191,367	-	191,367	206,916	-	206,916
Cost of sales		(39,939)	-	(39,939)	(49,669)	-	(49,669)
GROSS PROFIT		151,428	-	151,428	157,247	-	157,247
Administrative expenses		(22,818)	(2,929)	(25,747)	(24,687)	(445)	(25,132)
Loss on impairment of tangible fixed assets		-	(3,283)	(3,283)	-	(77,591)	(77,591)
Loss on disposal of fixed assets		-	(5,189)	(5,189)	-	(6,163)	(6,163)
OPERATING PROFIT	3	128,610	(11,401)	117,209	132,560	(84,199)	48,361
Interest receivable and similar income	6	4,266	-	4,266	10,661	-	10,661
Interest payable and similar charges	7	(64,006)	(2,994)	(67,000)	(64,909)	(1,051)	(65,960)
Subordinated loan interest payable	8	-	(29,763)	(29,763)	-	(30,630)	(30,630)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		68,870	(44,158)	24,712	78,312	(115,880)	(37,568)
Tax on profit / (loss) on ordinary activities	9	(9,389)	(1,865)	(11,254)	(18,594)	9,411	(9,183)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		59,481	(46,023)	13,458	59,718	(106,469)	(46,751)

The profit and loss account relates to continuing activities

Punch Taverns (PMH) Limited
Period ended 18 August 2012

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 52 week period ended 18 August 2012

	52 week period ended 18 August 2012 £000	52 week period ended 20 August 2011 £000
Profit / (loss) for the period	13,458	(46,751)
Profit and losses recognised directly in equity:		
Actuarial gain / (loss) for the period	2,400	(700)
Deferred tax on actuarial gain / (loss)	(656)	191
	1,744	(509)
Losses on cash flow hedges	(12,688)	(9,931)
Transfers to the profit and loss account on cash flow hedges	-	4,941
Tax on items taken directly to equity	2,076	1,358
Net loss on cash flow hedges	(10,612)	(3,632)
Unrealised deficit on revaluation of fixed assets	(16,762)	(116,493)
Total losses since the last report	(12,172)	(167,385)

NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the 52 week period ended 18 August 2012

	52 week period ended 18 August 2012 £000	52 week period ended 20 August 2011 £000
Reported gain / (loss) on ordinary activities before taxation	24,712	(37,568)
Realisation of property revaluation (losses) / gains of previous periods	(2,778)	9,652
Difference between historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	(25)	33
Historical cost gain / (loss) on ordinary activities before taxation	21,909	(27,883)
Historical cost gain / (loss) for the period retained after taxation	10,655	(37,066)

Punch Taverns (PMH) Limited
Period ended 18 August 2012

GROUP BALANCE SHEET
as at 18 August 2012

	Notes	18 August 2012 £000	20 August 2011 £000
FIXED ASSETS			
Goodwill	10	(12,720)	(13,702)
Tangible fixed assets	11	1,037,163	1,098,177
		1,024,443	1,084,475
CURRENT ASSETS			
Other current asset investments	13	54,719	55,533
Debtors amounts falling due in less than one year	15	21,564	38,209
Debtors amounts falling due after more than one year	15	223,529	223,634
Cash at bank and in hand		68,734	30,582
Restricted cash	14	168,000	-
		536,546	347,958
CURRENT LIABILITIES			
Other creditors falling due within one year		(220,003)	(50,607)
Secured loan notes		(29,396)	(28,985)
Derivative financial instruments		(6,937)	(7,228)
CREDITORS amounts falling due in less than one year	16	(256,336)	(86,820)
NET CURRENT ASSETS		280,210	261,138
TOTAL ASSETS LESS CURRENT LIABILITIES		1,304,653	1,345,613
LONG TERM LIABILITIES			
Other creditors falling due after more than one year		(206,377)	(203,430)
Secured loan notes		(932,124)	(971,394)
Derivative financial instruments		(47,820)	(34,661)
CREDITORS amounts falling due after more than one year	17	(1,186,321)	(1,209,485)
PROVISIONS FOR LIABILITIES	19	(238)	(258)
DEFERRED TAX LIABILITY	19	(11,221)	(12,979)
PENSION - DEFINED BENEFIT SCHEME LIABILITY	21	(2,079)	(5,925)
NET ASSETS		104,794	116,966
CAPITAL AND RESERVES			
Called up share capital	22	84,000	84,000
Hedge reserve	23	(30,196)	(19,584)
Revaluation reserve	23	201,231	215,215
Other capital reserves	23	7,647	7,647
Profit and loss account	23	(157,888)	(170,312)
SHAREHOLDERS' FUNDS	23	104,794	116,966

The financial statements were approved and authorised for issue by the board and signed on its behalf on 23 October 2012

S Dando
Director

Punch Taverns (PMH) Limited
Period ended 18 August 2012

COMPANY BALANCE SHEET
as at 18 August 2012

	Notes	18 August 2012 £000	20 August 2011 £000
FIXED ASSETS			
Investments	12	175,647	175,647
		175,647	175,647
CURRENT ASSETS			
Debtors amounts falling due after more than one year	15	5,700	5,700
NET CURRENT ASSETS		5,700	5,700
TOTAL ASSETS LESS CURRENT LIABILITIES		181,347	181,347
CREDITORS amounts falling due after more than one year	17	(5,700)	(5,700)
NET ASSETS		175,647	175,647
CAPITAL AND RESERVES			
Called up share capital	22	84,000	84,000
Share premium	23	91,647	91,647
SHAREHOLDERS' FUNDS	23	175,647	175,647

The financial statements were approved and authorised for issue by the board and signed on its behalf on 23 October 2012

S Dando
Director

Punch Taverns (PMH) Limited
Period ended 18 August 2012

GROUP CASH FLOW STATEMENT
for the 52 week period ended 18 August 2012

	Notes	52 week period ended 18 August 2012 £000	52 week period ended 20 August 2011 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	28	130,562	124,522
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(60,435)	(61,341)
Interest received		460	360
		(59,975)	(60,981)
TAXATION RECEIVED / (PAID)		1,447	(6,296)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(16,423)	(17,898)
Receipts from sales of tangible fixed assets		49,390	29,513
		32,967	11,615
NET CASH INFLOW BEFORE FINANCING		105,001	68,860
FINANCING			
Loans repaid		(39,234)	(46,647)
Termination of financing arrangements		(2,815)	-
Payments made to other group undertakings		(24,800)	(28,700)
		(66,849)	(75,347)
NET INCREASE / (DECREASE) IN CASH IN THE PERIOD	28	38,152	(6,487)

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with applicable UK accounting standards The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain properties within the company, with the exception of derivative financial instruments which are measured at fair value

The audit report for the period ended 18 August 2012 is unqualified, and did not contain statements under section 498(2) or (3) Companies Act 2006 or equivalent preceding legislation However, the auditor has included an emphasis of matter paragraph in their opinion relating to material uncertainties with respect to going concern Further details with respect to going concern are included below

In accordance with FRS 18 the directors have continued to review the accounting policies

There have been no changes to accounting policies during the year

Basis of consolidation

The financial statements consolidate the accounts of Punch Taverns (PMH) Limited and its subsidiary undertakings drawn up to the 18 August 2012 No profit or loss account is presented for Punch Taverns (PMH) Limited as permitted by s408 of the Companies Act 2006 The company made a result after taxation of £nil in the period ended 18 August 2012 (period ended 20 August 2011 result after taxation of £nil)

Fundamental accounting concept – going concern

The financial statements have been prepared on a going concern basis The group is currently in full compliance with the financial covenants contained in its securitisation arrangements

The group is currently the beneficiary of group support in the form of a supply fee arrangement which amounted to £40,903,000 for the year to 18 August 2012, whereby the cost of drinks purchased is reduced The group made £24,800,000 of upstream payments during the year, as permitted under the securitisation documents, resulting in the group being the beneficiary of net support to the value of £16,103,000 Without this group support arrangement the group would have been in breach of its DSCR (Debt Service Cover Ratio) financial covenant

The group's ability to continue to make upstream payments and to comply with its DSCR covenant in the near term is however dependent on either continuing to receive group support or agreeing with the relevant stakeholders to amend the terms of the DSCR covenant

The group intends shortly to enter into discussions with the relevant stakeholders with a view to restructuring its securitisation arrangements in a consensual way to enable the group to comply with its financial covenants (including the DSCR covenant) without the need for ongoing group support

There is a risk that a consensual restructuring of the group's securitisation arrangements is not achieved and a covenant breach may occur which could lead to circumstances in which the lenders to the group may be able to request early repayment of all outstanding borrowings Were this to occur the group may be unable to realise it assets and discharge its liabilities in the normal course of business These circumstances represent a material uncertainty that casts significant doubt on the group's ability to continue as a going concern

Nevertheless, after considering the uncertainties described above, the directors are of the opinion that it is in the best interest of all stakeholders to agree to a consensual restructuring of the group's securitisation arrangements and the directors are of the view that a satisfactory restructuring can be achieved The directors have prepared detailed operating and cash flow forecasts, which cover a period of more than 12 months from the date of approval of these financial statements These show that, with the continuation of group support, the group has adequate funds for the foreseeable future to meet its liabilities as they fall due

For these reasons the directors continue to adopt the going concern basis in preparing the financial statements Therefore, the Financial Statements do not include any adjustments that would result if the going concern basis of preparation is inappropriate

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

1 ACCOUNTING POLICIES

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the fair value of the group's share of the identifiable assets, liabilities and contingent liabilities Following initial recognition, goodwill is amortised Amortisation is charged to the profit and loss account on a straight-line basis over 20 years Where assets are transferred between segments or disposed, the goodwill attributable to these assets is also transferred or charged to the profit and loss account respectively Where negative goodwill arises, this is amortised over 20 years

Fixed asset investments

Investments are stated at cost, less provision for impairment in value The carrying value of investments is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable

Significant accounting estimates and judgements

The estimates and judgements that have a significant effect on the amounts recognised in the financial statements are detailed below

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment if circumstances suggest that the carrying amount may not be recoverable Recoverable amounts are determined based on value-in-use calculations

Post-employment benefits

The present value of defined benefit pension liabilities are determined on an actuarial basis and depend on a number of actuarial assumptions which are disclosed in note 21 Any change in these assumptions could impact the carrying amounts of pension liabilities

Tangible fixed assets and depreciation

Valuation

Trading properties are revalued professionally by independent valuers on a five-year rolling basis

Surpluses arising from the professional valuation are taken directly to the revaluation reserve Valuation surpluses realised on sale are transferred from the revaluation reserve to the profit and loss account reserve

Any deficit arising from the professional valuation of properties is taken directly to the revaluation reserve until the carrying amount reaches historical cost and thereafter, to the extent that the value in use can be demonstrated to be higher than valuation Any other deficit arising is charged to the profit and loss account

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

1 ACCOUNTING POLICIES

Depreciation

Depreciation is charged on a straight-line basis on freehold and long leasehold buildings over the estimated useful life of the asset It is the company's policy to maintain the properties comprising the licensed estate in such a condition that the residual values of the properties, based on prices prevailing at the time of acquisition or subsequent revaluation, are at least equal to their book values As a result, the depreciation charged on freehold and long leasehold buildings is nil

It is the opinion of the directors that it is not practical or appropriate to separate from the value of the buildings the value of long life fixtures and fittings, which are an integral part of the buildings This approach is supported by the opinion of an independent external adviser

Landlord's fixtures and fittings include removable items, which are generally regarded as within landlord ownership These are depreciated in accordance with the policy detailed below

Depreciation is provided on other tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life, as follows

Short leasehold properties - over the lease term
Landlord's fixtures and fittings - 5 years

An annual impairment review is carried out on such properties in accordance with FRS 11 and FRS 15

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future have occurred at the balance sheet date

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

1 ACCOUNTING POLICIES

Pensions
The group operates the Pubmaster defined benefit pension scheme

Defined benefit pension scheme
Full actuarial valuations of the group's defined benefit schemes are carried out every three years with interim reviews in the intervening years, these valuations are updated to the year end each financial period by qualified independent actuaries For the purposes of these annual updates, scheme assets are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit method, these liabilities are discountedat the current rate of return on a high quality corporate bond of equivalent currency and term The post-retirement surplus or benefit is included on the company's balance sheet, net of the related amount of deferred tax

Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes The current service cost and any past service costs are included in the the profit and loss account within administrative expenses and the expected return on the schemes' assets is included within finance income or costs Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised, net of deferred tax, in the statement of total recognised gains and losses

Defined contribution pension scheme
Provisions
Provisions are recognised when the group has a present legal or constructive obligation to transfer economic resources as a result of past events

Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at the balance sheet date Provisions are discounted if the effect of the time value of money is material The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability

Leasing commitments
Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term

Accounting for derivative financial instruments and hedging activities
The group uses derivative financial instruments such as interest rate swaps to hedge its risk associated with interest rate fluctuations Such derivative financial instruments are initially accounted for and subsequently re-measured to fair value The fair value of the interest rate swap contracts is determined by reference to market values for similar instruments

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges where they hedge exposure to variability in forecast transactions

The group documents at the inception of the transaction the relationship between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items

The consolidated financial statements of Punch Taverns plc contain financial instrument disclosures which comply with FRS 29 'Financial Instruments Disclosures' Consequently, the company has taken advantage of the exemption in FRS 29 not to present separate financial instrument disclosures for the group

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

1 ACCOUNTING POLICIES

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated as and qualify as cash flow hedges are recognised in equity The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account

Amounts accumulated in equity are recycled in the profit and loss account in the periods when the hedged item will affect profit or loss

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the profit and loss account immediately The replacement or rollover of a hedging instrument into another hedging instrument is not an expiry, sale or termination where such replacement or rollover is part of the documented hedging strategy

The implications of a potential debt restructuring of the securitisation arrangements have been considered with regards to the continued effectiveness of hedge accounting for the interest rate swaps and also in relation to whether the hedge reserve should be recycled through the income statement At the balance sheet date, no decisions on the debt restructuring had been made and the interest rate swaps arrangements were considered to remain highly effective in matching the underlying cash flows of the floating rate notes
Following the year end and to the date of issuing these financial statements no firm decisions on a debt restructuring had been made The effectiveness of cash flow hedges and the appropriateness of continuing to hold the hedge reserve will continue to be reviewed as the Group progresses towards a restructuring of its securitisation arrangements Should a restructuring of the securitisation debt arrangements result in the cashflows related to a hedged transaction no longer being expected to occur, the net cumulative gain or loss recognised in equity will be recycled through the income statement immediately
Derivatives that do not qualify for hedge accounting
Changes in fair value of any derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss account

Non-underlying items
In order to provide a trend measure of underlying performance, profit is presented excluding items that management believe will distort comparability, either due to their significant nature, or as a result of specific accounting treatments Further detail on the nature of non-underlying items is included in note 4

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

2 TURNOVER

Turnover represents the amounts derived from the provision of goods and services to third parties which fall within the company's ordinary activities, stated net of value added tax Rents receivable are recognised on a straight-line basis over the lease term Revenue in respect of drink sales is recognised at the point at which the goods are provided Turnover is derived solely within the United Kingdom

Turnover includes

	52 week period ended 18 August 2012 £000	52 week period ended 20 August 2011 £000
Rental income	46,454	52,963

3 OPERATING PROFIT

This is stated after charging

		52 week period ended 18 August 2012 £000	52 week period ended 20 August 2011 £000
Depreciation	- owned fixed assets	3,499	3,336
	- leased fixed assets	403	614
Operating lease rentals	- land and buildings	1,266	1,339

Auditors' remuneration is paid by another company in the Punch Taverns group in the current and preceding periods

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

4 NON-UNDERLYING ITEMS

	52 week period ended 18 August 2012 £000	52 week period ended 20 August 2011 £000
Included within administrative expenses		
Redundancy and integration costs	2,929	1,069
Onerous property leases	-	(624)
	2,929	445
Included within loss on impairment of tangible fixed assets	3,283	77,591
Included within fixed asset disposals		
Loss on disposal of fixed assets	5,189	6,163
Included within interest payable and similar income:		
Movement in fair value of interest rate swaps (note 7)	2,994	1,051
Subordinated loan interest payable [1]	29,763	30,630
Tax relief on non-underlying items	(5,036)	(9,411)
Adjustment to tax in respect of prior periods	6,901	-
	1,865	(9,411)
	46,023	106,469

[1] Subordinated loan interest payable is capitalising interest expense on intergroup borrowings The size and nature of this interest, being a quasi equity instrument, has been presented separately in order to provide a clearer presentation of the interest expense of the group

5 DIRECTORS' EMOLUMENTS AND STAFF COSTS

The directors received no emoluments from the company in respect of their services in the current or preceding periods

The company had no employees during the current or preceding periods

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	52 week period ended 18 August 2012 £000	52 week period ended 20 August 2011 £000
Bank interest receivable	654	302
Pension finance income	2,900	2,900
Loan note redemptions [1]	683	7,454
Other interest receivable	29	5
	4,266	10,661

[1] Represents profit on the purchase of securitised debt below par value, together with the write-off of related deferred issue costs

7 INTEREST PAYABLE AND SIMILAR CHARGES

	52 week period ended 18 August 2012 £000	52 week period ended 20 August 2011 £000
Bank and other loans	59,426	60,557
Pension finance costs	3,095	3,019
Movement in fair value of interest rate swaps (note 4)	2,994	1,051
Amortisation of deferred issue costs	995	1,044
Unwinding of discount effect of provision	18	47
Cost of terminating financing arrangements (note 4)	147	87
Interest payable on tenants' deposits	325	155
	67,000	65,960

8 SUBORDINATED LOAN INTEREST PAYABLE

	52 week period ended 18 August 2012 £000	52 week period ended 20 August 2011 £000
Subordinated loan interest payable to group undertakings	29,763	30,630

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

9 TAXATION

	52 week period ended 18 August 2012 £000	52 week period ended 20 August 2011 £000
The tax charge for the period comprises		
UK corporation tax		
- current period group relief receivable	3,337	4,818
- adjustments in respect of prior periods	6,901	(788)
	10,238	4,030
Deferred tax		
- relating to pension costs under FRS 17	652	673
- current period charge	2,631	5,303
- relating to fair value of interest rate swaps under FRS 26	(45)	(286)
- change in standard rate of tax	(2,047)	(1,088)
- adjustments in respect of prior periods	(175)	551
	1,016	5,153
Total tax charge for the period	11,254	9,183

Reconciliation of tax charge

	52 week period ended 18 August 2012 £000	52 week period ended 20 August 2011 £000
Profit / (loss) on ordinary activities before taxation	24,712	(37,568)
Profit / (loss) on ordinary activities at standard rate of corporation tax in the UK of 25 22% (2011 27 22%)	6,232	(10,226)
Effects of		
Short term timing differences	(699)	(330)
Loss on disposal of fixed assets	1,309	1,678
(Income not chargeable for tax purposes) / expenses not deductible for tax purp	(965)	18,913
Capital allowances in excess of depreciation	(2,491)	(5,164)
Utilisation of tax losses brought forward	(49)	(53)
Adjustments in respect of prior periods	6,901	(788)
Total current tax charge	10,238	4,030

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

10 INTANGIBLE ASSETS

	Negative goodwill £000
Cost	
As at 18 August 2012 and 20 August 2011	(19,628)
Amortisation	
As at 20 August 2011	(5,926)
Charge for the period	(982)
As at 18 August 2012	(6,908)
Net book amount	
As at 18 August 2012	(12,720)
As at 20 August 2011	(13,702)

Negative goodwill arising on previous acquisitions are released to the profit and loss account by equal installments over a 20 year period being the approximate average life of the underlying non-monetary assets at the date of acquisition

The company has no intangible assets

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

11 TANGIBLE FIXED ASSETS

	Land & buildings £000	Public house fixtures & fittings £000	Total £000
Cost or valuation			
As at 20 August 2011	1,106,188	41,722	1,147,910
Additions	13,813	3,250	17,063
Disposals	(52,991)	(4,313)	(57,304)
Revaluation	(20,181)	-	(20,181)
As at 18 August 2012	1,046,829	40,659	1,087,488
Depreciation			
As at 20 August 2011	15,105	34,628	49,733
Charge for the year	403	3,499	3,902
Revaluation	(136)	-	(136)
Disposals	(137)	(3,037)	(3,174)
As at 18 August 2012	15,235	35,090	50,325
Net book value.			
As at 18 August 2012	1,031,594	5,569	1,037,163
As at 20 August 2011	1,091,083	7,094	1,098,177

The split of the net book value of land and buildings is as follows

	Freehold £000	Long leasehold £000	Short leasehold £000	Total £000
As at 18 August 2012	999,729	27,194	4,671	1,031,594
As at 20 August 2011	1,056,633	28,828	5,622	1,091,083

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

11 TANGIBLE FIXED ASSETS

If land and buildings had not been revalued they would have been stated on a historical basis as follows

	Total £000
Cost	1,085,922
Accumulated depreciation	(3,001)
Net book value at 18 August 2012	1,082,921
Net book value at 20 August 2011	1,170,536

The group's policy is to carry properties within the estate at valuation Therefore, the estate is revalued professionally by independent valuers on a five-year rolling basis The valuation is performed in accordance with market practice by GVA Humberts Leisure, Chartered Surveyors, acting as external valuers At 18 August 2012, 231 properties were revalued resulting in a reduction in net assets of £4,118,000, representing a 2 4% reduction on those properties revalued Of the £4,118,000, £6,297,000 was taken to the revaluation reserve and a credit of £2,179,000 was taken to the profit and loss account in the period

A further revaluation has been performed of non-core properties which are likely to be sold or converted for alternative use within the next five years 723 properties were valued at their fair value less costs to sell resulting in a reduction in net assets of £15,927,000 Of the £15,927,000, £10,465,000 was taken to the revaluation reserve, and £5,462,000 was taken to the profit and loss account in the period

Surpluses arising from the professional valuation of the estate are taken directly to the revaluation reserve Deficits are taken directly to the revaluation reserve until the carrying amount reaches historic cost and thereafter, to the extent that the value in use can be demonstrated to be higher than valuation Any other deficit is charged to the profit and loss account

In the prior period, following the results of the strategic review, the Board had undertaken a full revaluation of the pub estate by independent valuers This was a one-off exercise The valuation was performed in accordance with market practice by GVA Humberts Leisure, Chartered Surveyors, acting as external valuers The valuation comprised inspection of 10% of the estate, external inspection of a further 10% of the estate and a desktop valuation of the remaining estate At 20 August 2011, 2,082 properties were revalued resulting in a reduction of net assets of £194,084,000, representing a 15 2% reduction on the property revalued Of the £194,084,000, £116,493,000 was taken to the revaluation reserve and £77,591,000 was taken to the profit and loss account in the period

The company has no tangible fixed assets

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

12 FIXED ASSET INVESTMENTS

	Company Shares in subsidiary undertakings £000
Cost and net book value:	
As at 18 August 2012 and 20 August 2011	175,647

Details of the principal wholly owned subsidiary undertakings, in which the shareholdings are in ordinary shares, are as follows

Subsidiary undertaking	Principal activity
Held directly	
Punch Partnerships (PML) Limited	Pub operating company
Punch Taverns Finance B Limited	Financing company
Held indirectly	
InnSpired Company Limited	Management and administration company

Exemption has been taken to exclude subsidiary undertakings from the above disclosure, whose results or financial position do not principally affect the financial statements

The above companies are incorporated in England and Wales with the exception of Punch Taverns Finance B Limited, which is incorporated in the Cayman Islands

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

13 CURRENT ASSET INVESTMENTS

	Other investments £000
Cost	
As at 20 August 2011	55,533
Repayments	(814)
As at 18 August 2012	54,719
Cost and net book value	
As at 18 August 2012	54,719
As at 20 August 2011	55,533

Current asset investments represent secured loan notes issued by Punch Taverns Finance B Limited that have been purchased and which are held by the group at the year end as they are not yet cancelled The fair value of these redeemed secured loan notes at 18th August 2012 is £32,525,000 (20th August 2011 32,562,000)

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

14 RESTRICTED CASH

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Restricted cash	168,000		-	-

Following a downgrade by Moody's Investors Service of the short term rating of The Royal Bank of Scotland Group plc in June 2012, the provider of the group's total liquidity facility arrangements, the company exercised its contractual entitlement under the liquidity facility agreement and a drawing was made for £168 0m The funds drawn down are ring fenced from an operational perspective and cannot be utilised for any activities other than their original purpose A corresponding liability of £168 0m has been recognised in current liabilities accordingly (note 16)

15 DEBTORS

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Amounts falling due in less than one year				
Trade debtors	8,964	8,684	-	-
Amounts due from other companies in the Punch Taverns plc group	10,257	26,243	-	-
Prepayments and accrued income	2,343	3,282	-	-
	21,564	38,209	-	-

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Amounts falling due after more than one year				
Loans due from other companies in the Punch Taverns plc group	223,527	223,527	5,700	5,700
Amounts due from other companies in the Punch Taverns plc group	2	107	-	-
	223,529	223,634	5,700	5,700

Loans due from other companies in the Punch Taverns plc group relate to a non-interest bearing loan with Punch Taverns (PGE) Limited

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

16 CREDITORS amounts falling due in less than one year

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Loans (note 18) [1]	29,396	28,985	-	-
Cash-backed borrowings (note 14)	168,000		-	-
Trade creditors	2,661	1,644	-	-
Amounts owed to group undertakings	17,274	17,777	-	-
Other creditors	9,654	10,480	-	-
Accruals and deferred income	17,280	17,219	-	-
Social security and other taxes	5,134	3,487	-	-
Derivative financial instruments (note 20)	6,937	7,228	-	
	256 336	86,820	-	-

[1] Stated net of deferred issue costs which are to be amortised over the term of the loans

The group holds a £nil (August 2011 £168 0m) undrawn liquidity facility The liquidity facility is available to meet debt service obligations falling due to the extent that there are insufficient funds available from Punch Partnerships (PML) Limited to meet such payments, and for no other purpose

17 CREDITORS amounts falling due after more than one year

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Loans (note 18) [1]	932,124	971,394	-	-
Loans owed to group undertakings	206,377	201,414	-	-
Amounts owed to other companies in the Punch Taverns plc group	-	2,016	5,700	5,700
Derivative financial instruments (note 20)	47,820	34,661	-	-
	1,186,321	1,209,485	5,700	5,700

[1] Stated net of deferred issue costs which are to be amortised over the term of the loans

Loans owed to other companies in the Punch Taverns plc group relates to a subordinated loan with Punch Taverns (PGE) Limited Interest accrues at 15% and is capitalised quarterly in arrears

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

18 SECURED LOAN NOTES

	2012 £000	2011 £000
Loan maturity analysis		
Amounts repayable by instalments falling due		
In less than one year	30,279	29,994
Between one and two years	32,254	30,821
Between two and five years	114,341	104,044
In five years or more	791,381	843,310
Less deferred issue costs	(6,735)	(7,790)
	961,520	1,000,379

	2012 £000	2011 £000
Details of the loans are as follows		
Class A3 secured notes repayable by June 2022 at 7 369% per annum	182,106	197,114
Class A6 secured notes repayable by December 2024 at 5 943% per annum	220,000	220,000
Class A7 secured notes repayable by June 2033 at 4 767% per annum	189,688	201,455
Class A8 secured floating rate notes repayable by June 2033 at LIBOR[1] +0 28% until June 2015 and LIBOR[1] + 0 7% thereafter	48,961	62,100
Class B1 secured notes repayable by June 2025 at 8 44% per annum	77,500	77,500
Class B2 secured notes repayable by June 2028 at 6 962% per annum	125,000	125,000
Class C secured floating rate notes repayable by June 2035 at LIBOR[1] +1 1% until June 2015 and LIBOR[1] + 2 75% thereafter	125,000	125,000
	968,255	1,008,169
Less deferred issue costs	(6,735)	(7,790)
	961,520	1,000,379

[1]For 3 months deposits

In the current period the group redeemed Class A8 notes with a nominal value of £10,328,000 (2011 £nil)

The loans are secured over the assets of the company and certain other companies in the Punch Taverns plc group

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

19 PROVISIONS FOR LIABILITIES

	Property leases £000	Deferred taxation £000	Total £000
As at 20 August 2011	258	12,979	13,237
Utilised during the period	(88)	-	(88)
Unwinding of discount effect of provisions	18	-	18
Charged to the profit and loss account	79	-	79
Released in the period	(29)	318	289
Credited direct to equity	-	(2,076)	(2,076)
As at 18 August 2012	238	11,221	11,459

The vacant leasehold provision has been set up to cover the operating costs of the vacant properties The provision covers the expected shortfall between rents payable and rental income together with any operating costs

	2012 £000	2011 £000
The deferred tax balance consists of		
Depreciation in excess of capital allowances	25,464	25,385
Interest rate swaps	(12,594)	(10,473)
Losses recognised	(584)	(684)
Short term timing differences	(1,065)	(1,249)
	11,221	12,979

The amount of deferred tax that has not been provided on revalued fixed assets and fixed assets subject to rollover relief, is estimated to be £17,490,000 (2011 £16,347,000) At present, it is not envisaged that any tax will become payable in the foreseeable future

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of 4 years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted on 20 July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted on 29 March 2011 and 5 July 2011 respectively

The 2012 Budget on 21 March 2012 announced a further reduction in the corporation tax rate to 24% (effective from 1 April 2012) and to 23% (effective from 1 April 2013) These rates were substantively enacted on 26 March 2012 and 3 July 2012 respectively A further 1% rate reduction in a future period will reduce the UK corporation tax rate to 22% This will reduce the company's future current tax charge accordingly The deferred tax liability at 18 August 2012 has been calculated based on the future rate of 23% which was substantively enacted at the balance sheet date

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

20 DERIVATIVE FINANCIAL INSTRUMENTS

All derivative financial instruments are held on the balance sheet at fair value, the effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges are recognised in equity The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account Amounts accumulated in equity are recycled in the profit and loss account in the periods when the hedged item will affect profit or loss Changes in fair value of any derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss account

The company's principal financial instruments other than derivative financial instruments comprise borrowings, loans to group undertakings and cash The main purpose of these financial instruments is to raise finance for the Punch Taverns plc group's operations

The group enters into derivatives transactions The purpose of such transactions is to manage the interest rate risks arising from the group's sources of finance It is, and has been throughout the period under review, the group's policy that no speculative trading in financial instruments shall be undertaken

The main risks arising from the company's financial instruments are interest rate risk and liquidity risk There is no currency exposure as all material transactions and financial instruments are in sterling The board reviews and agrees policies for each of these risks and they are summarised below

Interest rate risk

The company primarily finances its operations through loan notes The company borrows at both fixed and floating rates of interest and then uses interest rate swaps to generate the desired interest profile and to manage the company's exposure to interest rate fluctuations The cash balances attract interest at floating rates The interest rate on the company's loan notes is matched to debenture bonds in a fellow group company

Liquidity risk

As regards liquidity, the group is primarily financed by loan notes, with 82% (2011 84%) of the capital balance on these loan notes being repayable after more than 5 years from the balance sheet date, subject to relevant covenants being met The maturity profile of the group's loan notes matches that of loans made to group undertakings The board continues to review alternative sources of finance

Cash balances are invested in short term deposits

Derivative financial instruments

The carrying values of derivative financial instruments in the balance sheet are as follows

Creditors amounts falling due in less than one year	2012	2011
	£000	£000
Interest rate swaps	(6,937)	(7,228)

Creditors amounts falling due after more than one year	2012	2011
	£000	£000
Interest rate swaps	(47,820)	(34,661)

The interest rate swaps replace the LIBOR rate on the group's secured floating rate loan notes with a fixed rate The capital amount of the swaps reduce over time to match the contractual repayment profile of the associated notes over their life The interest rate swaps qualify as, and are treated as, cash flow hedges in accordance with FRS 26 and movements in their fair values are recognised directly in equity

Fair value of non- derivative financial assets and liabilities

The company has no derivate financial instruments

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

21 PENSION - DEFINED BENEFIT SCHEME LIABILITY

Pension liability	**2012 £000**	**2011 £000**
Liability brought forward	7,900	9,100
Credited to the profit and loss account	-	(100)
Cash payments during the period	(2,800)	(1,800)
Actuarial (gain) / loss	(2,400)	700
Liability before deferred tax	2,700	7,900
Deferred tax asset	(621)	(1,975)
Liability net of deferred tax	2,079	5,925

During the period, the group operated one funded defined benefit pension schemes, the Pubmaster Pension Scheme The pension plans has not invested in any of the group's own financial instruments, nor in properties or other assets used by the group

The tables below illustrate the impact of defined benefit schemes on the profit and loss account and the balance sheet The information presented is that which was calculated in accordance with IAS 19 for the purpose of the Punch Taverns plc group

The amounts recognised in the profit and loss account are as follows

Analysis of the amounts charged to operating costs	**2012 £000**	**2011 £000**
Current service cost	(100)	(100)

Analysis of the amounts credited to other finance income	**2012 £000**	**2011 £000**
Expected return on scheme assets	2,900	2,900
Interest on scheme liabilities	(2,800)	(2,700)
Net credit	100	200

The amounts recognised in the statement of total recognised gains and losses (STRGL) are as follows

	2012 £000	**2011 £000**
Actual return on assets	5,800	1,400
Expected return on assets	(2,900)	(2,900)
Experience (loss) / gain on liabilities	(500)	800
Expected actuarial gains / (losses) recognised in the STRGL	2,400	(700)
Actuarial gains / (losses) recognised in the STRGL	2,400	(700)

The amounts recognised in the balance sheet are as follows

	2012 £000	**2011 £000**
Present value of scheme liabilities	(55,600)	(54,400)
Fair value of scheme assets	52,900	46,500
Net retirment benefit liability recognised in the balance sheet	(2,700)	(7,900)

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

Movements in the present value of scheme liabilities are as follows

	2012 £000	2011 £000
Present value of scheme liabilities at beginning of period	54,400	54,500
Current service cost	100	100
Interest cost	2,800	2,700
Actuarial losses / (gains)	500	(800)
Benefits paid	(2,200)	(2,100)
Present value of scheme liabilities at end of period	55,600	54,400

Movements in the fair value of scheme assets are as follows

	2012 £000	2011 £000
Fair value of scheme assets at beginning of period	46,500	45,400
Expected return on scheme assets	2,900	2,900
Actuarial gains / (losses)	2,900	(1,500)
Contributions paid by employer	2,800	1,800
Benefits paid	(2,200)	(2,100)
Fair value of scheme assets at end of period	52,900	46,500

Scheme assets are stated at their market values at the balance sheet date and the expected return on scheme assets is derived as a weighted average of the expected return on each asset class, recognising the proportions of the assets invested in each The expected return on each asset class is determined after taking external expert advice and by reference to relevant equity and bond indices

The history of experience adjustments on the schemes for the current and previous financial years is as follows

	2012	2011	2010	2009	2008
Actual return less expected return on scheme assets	2,900	(1,500)	3,400	(3,200)	(6,400)
Percentage adjustments on scheme assets	5 5%	-3 2%	7 5%	-7 9%	-14 9%
Experience adjustments on scheme liabilities	(500)	800	600	(4,100)	2,800
Percentage of scheme liabilities	-0 9%	1 5%	1 1%	7 6%	-5 7%
Total gain / (loss) recognised in STRGL	2,400	(700)	4,000	(7,300)	(3,600)
Percentage of scheme assets	4 5%	-1 5%	8 8%	13 5%	7 3%

The expected contributions to the defined benefit scheme for the next financial year, beginning 19 August 2012 are £1 7m

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

Pubmaster Pension Scheme funding

The Pubmaster Pension Scheme is a defined benefit scheme operated in the UK The values of the scheme's liabilities have been determined by a qualified actuary based on the results of an actuarial valuation as at 6 April 2010, updated to 18 August 2012, the balance sheet date The mortality assumptions at the year end are based on standard mortality tables that allow for future mortality improvements The assumptions are that the life expectancy of a member who retires at the age of 65 is as follows

	2012	2011
Male currently aged 50	23 0 years	22 9 years
Male currently aged 65	21 3 years	21 2 years
Female currently aged 50	25 3 years	25 1 years
Female currently aged 65	23 5 years	23 3 years

The assumptions used in determining the valuations are as follows

	2012	2011
Rate of increase of salaries	4 00%	4 90%
Rate of increase in pensions	2 45%	3 00%
Discount rate	4 60%	5 20%
Inflation assumption (RPI)	2 75%	3 40%
Inflation assumption (CPI)	2 00%	2 65%

The assets in the scheme and expected rates of return were

	Long-term rate of return expected at 18 August 2012	Value at 18 August 2012 £000	Long-term rate of return expected at 20 August 2011	Value at 20 August 2011 £000	Long-term rate of return expected at 21 August 2010	Value at 21 August 2010 £000
Equities	7 00%	13,600	7 75%	25,400	7 75%	26,600
Bonds	3 80%	14,900	4 20%	19,400	4 30%	16,800
Insured pensions	4 60%	1,400	5 20%	1,500	5 10%	1,700
Cash	2 50%	700	4 00%	200	4 00%	300
Diversified growth funds	6 00%	22,300	0 00%	-	0 00%	-
Total market value of assets		52,900		46,500		45,400
Present value of scheme liabilities		(55,600)		(54,400)		(54,500)
Deficit in the scheme before deferred tax		(2,700)		(7,900)		(9,100)
Deferred tax asset		621		1,975		2,457
Net pension liability		(2,079)		(5,925)		(6,643)

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

22 SHARE CAPITAL

	2012 No	2012 £000	2011 No	2011 £000
Allotted, called up and fully paid				
Ordinary shares of £1 each	84,000,102	84,000	84,000,102	84,000

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

23 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share Capital £000	Hedge Reserve £000	Revaluation Reserve £000	Other Capital Reserve £000	Profit & Loss Account £000	Total Share-holders' Funds £000
At 21 August 2010	84,000	(15,952)	341,360	7,647	(132,704)	284,351
Total losses for the period	-	(3,632)	(116,493)	-	(47,260)	(167,385)
Transfers on disposal of fixed assets	-	-	(9,652)	-	9,652	-
At 20 August 2011	84,000	(19,584)	215,215	7,647	(170,312)	116,966
Total losses for the period	-	(10,612)	(16,762)	-	15,202	(12,172)
Transfers on disposal of fixed assets	-	-	2,778	-	(2,778)	-
At 18 August 2012	84,000	(30,196)	201,231	7,647	(157,888)	104,794

Company	Share Capital	Share Premium	Profit & Loss Account	Total Share-holders' Funds
At 18 August 2012, 20 August 2011 and 21 August 2010	84,000	91,647	-	175,647

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 18 August 2012

24 FINANCIAL COMMITMENTS

	2012	2011
	£000	£000
Contracted not provided	4,885	3,056

At 18 August 2012 the company had annual commitments under non-cancellable operating leases as set out below

Land and buildings

	2012	2011
	£000	£000
Operating leases which expire		
In less than one year	-	33
2 - 5 years	425	427
Over five years	731	893
	1,156	1,353

25 RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption in paragraph 3(c) of FRS 8 from disclosing transactions with related parties that are wholly owned subsidiaries of the Punch Taverns plc group There were no other related party

26 POST BALANCE SHEET EVENTS

At 18 August 2012, no obligation exists for dividends declared after that date (Aug 2011 £nil)

27 ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking and controlling party is Punch Taverns plc, a company registered in England & Wales

Copies of the financial statements of Punch Taverns plc are available from Jubilee House, Second Avenue, Burton upon Trent, Staffordshire, DE14 2WF

Punch Taverns (PMH) Limited
Period ended 18 August 2012

NOTES TO THE CASH FLOW STATEMENT
for the 52 week period ended 18 August 2012

28 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	52 week period ended 18 August 2012 £000	52 week period ended 20 August 2011 £000
Operating profit	117,209	48,361
Depreciation and impairment of tangible fixed assets	7,185	81,541
Amortisation of negative goodwill	(982)	(981)
Decrease in debtors	659	1,022
Increase / (decrease) in creditors	6,491	(5,421)
NET CASH INFLOW FROM OPERATING ACTIVITIES	130,562	124,522

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	52 week period ended 18 August 2012 £000	52 week period ended 20 August 2011 £000
Increase / (decrease) in cash in the period	38,152	(6,487)
Increase in restricted cash	168,000	-
Cash outflow from change in debt financing	234,849	58,149
Increase in cash-backed borrowings	(168,000)	-
Change in net debt resulting from cash flows	273,001	51,662
Other non cash movements in net debt	(45,821)	(37,713)
Change in net debt resulting from non cash flows	(45,821)	(37,713)
Movement in net debt	227,180	13,949
Net debt at beginning of period	(1,213,100)	(1,227,049)
Net debt at end of period	(817,920)	(1,213,100)

ANALYSIS OF CHANGES IN NET DEBT

	20 August 2011 £000	Cash flow £000	Other non-cash changes £000	18 August 2012 £000
Cash at bank and in hand	30,582	38,152	-	68,734
Restricted cash	-	168,000	-	168,000
Loans owed to other companies in the Punch Taverns plc group	(201,414)	24,800	(29,763)	(206,377)
Other loans	(1,000,379)	39,234	(375)	(961,520)
Cash-backed borrowings	-	168,000	-	168,000
Derivative financial instrument	(41,889)	2,815	(15,683)	(54,757)
	(1,213,100)	441,001	(45,821)	(817,920)