

Registered No.  
3720775

**Punch Taverns (PMH) Limited**  
**Report and Financial Statements**  
**17 August 2013**



**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**DIRECTORS**

E Bashforth  
S Dando  
Wilmington Trust SP Services (London) Limited

**SECRETARY**

C Harris	appointed	01 Feb 2013
H Tyrrell	resigned	01 Feb 2013

**AUDITORS**

KPMG Audit Plc  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

**BANKERS**

Barclays Bank plc  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B3 2WN

**SOLICITORS**

Slaughter & May  
One Bunhill Row  
London  
EC1Y 8YY

**REGISTERED OFFICE**

Jubilee House  
Second Avenue  
Burton upon Trent  
Staffordshire  
DE14 2WF

# **Punch Taverns (PMH) Limited**

## **Period ended 17 August 2013**

### **DIRECTORS' REPORT**

**Registered No 3720775**

The directors present their report and financial statements for the financial period ended 17 August 2013

### **RESULTS AND DIVIDENDS**

The profit after taxation for the financial period amounted to £1,487,000 (52 week period ended 18 August 2012 profit after taxation of £13,458,000) The directors do not propose the payment of a final dividend (2012 £nil)

Before non-underlying items, the group has made a profit after tax of £52,785,000 (2012 £59,481,000)

### **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 £43,425,000 (2012 £40,903,000) 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 company 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 company is primarily financed by secured loan notes, with 79% (2012 82%) 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 company 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

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**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 £13,657,000 for the year, being £43,425,000 of gross support less £29,768,000 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 continued an extensive process of engagement with a broad range of stakeholders to consider amendments to the previously announced restructuring proposals to allow its securitisation to be restructured in a consensual way, allowing it to continue to comply with its financial covenants without the need for ongoing group support. The Directors 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.

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**DIRECTORS**

The directors of the company who served during the period are listed on the first page

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 (2012 £nil) The company made no political contributions during the period (2012 £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 17 August 2013, the company had an average of nil days (2012 nil days) purchases outstanding in trade creditors

**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  
24 Sep 2013

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**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 group and 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 company and to prevent and detect fraud and other irregularities

**INDEPENDENT AUDITOR'S 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 17 August 2013 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 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**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 17 August 2013 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 support from the wider Punch Taverns plc group for the group, and the successful restructuring of the company'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 group's and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company 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.



Greg Watts  
Senior Statutory Auditor  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH  
24 Sep 2013

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**GROUP PROFIT & LOSS ACCOUNT**

for the 52 week period ended 17 August 2013

	Notes	52 week period ended 17 August 2013			52 week period ended 18 August 2012		
		Underlying items	Non-underlying items (note 4)	Total	Underlying items	Non-underlying items (note 4)	Total
		£000	£000	£000	£000	£000	£000
<b>TURNOVER</b>	2	177,545	-	177,545	191,367	-	191,367
Cost of sales		(32,195)	-	(32,195)	(39,939)	-	(39,939)
<b>GROSS PROFIT</b>		145,350	-	145,350	151,428	-	151,428
Administrative expenses		(19,406)	(3,625)	(23,031)	(22,818)	(2,929)	(25,747)
Loss on impairment of tangible fixed assets		-	(6,537)	(6,537)	-	(3,283)	(3,283)
Loss on disposal of fixed assets		-	(3,922)	(3,922)	-	(5,189)	(5,189)
<b>OPERATING PROFIT / (LOSS)</b>	3	125,944	(14,084)	111,860	128,610	(11,401)	117,209
Interest receivable and similar income	6	4,929	15,794	20,723	4,266	-	4,266
Interest payable and similar charges	7	(62,154)	(39,089)	(101,243)	(64,006)	(2,994)	(67,000)
Subordinated loan interest payable	8	-	(29,626)	(29,626)	-	(29,763)	(29,763)
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		68,719	(67,005)	1,714	68,870	(44,158)	24,712
Tax on profit / (loss) on ordinary activities	9	(15,934)	15,707	(227)	(9,389)	(1,865)	(11,254)
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		52,785	(51,298)	1,487	59,481	(46,023)	13,458

The profit and loss account relates to continuing activities



**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the 52 week period ended 17 August 2013

	52 week period ended 17 August 2013 £000	52 week period ended 18 August 2012 £000
Profit for the period	1,487	13,458
<b>Profit and losses recognised directly in equity</b>		
Actuarial (loss) / profit for the period	(4,400)	2,400
Deferred tax on actuarial (loss) / profit	1,000	(656)
	<u>(3,400)</u>	<u>1,744</u>
Gains / (losses) on cash flow hedges	39,089	(12,688)
Tax on items taken directly to equity	(8,893)	2,076
Net gain / (loss) on cash flow hedges	<u>30,196</u>	<u>(10,612)</u>
Unrealised deficit on revaluation of fixed assets	(11,204)	(16,762)
Total gains / (losses) since the last report	<u><u>17,079</u></u>	<u><u>(12,172)</u></u>

**GROUP NOTE OF HISTORICAL COST PROFITS AND LOSSES**  
for the 52 week period ended 17 August 2013

	52 week period ended 17 August 2013 £000	52 week period ended 18 August 2012 £000
Reported gain on ordinary activities before taxation	1,714	24,712
Realisation of property revaluation gains / (losses) of previous periods	9,048	(2,778)
Difference between historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	(91)	(25)
Historical cost gain on ordinary activities before taxation	<u>10,671</u>	<u>21,909</u>
Historical cost gain for the period retained after taxation	<u><u>10,444</u></u>	<u><u>10,655</u></u>

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**GROUP BALANCE SHEET**  
as at 17 August 2013

	<i>Notes</i>	17 August 2013 £000	18 August 2012 £000
<b>FIXED ASSETS</b>			
Goodwill	10	(11,739)	(12,720)
Tangible fixed assets	11	990,671	1,037,163
		978,932	1,024,443
<b>CURRENT ASSETS</b>			
Other current asset investments	13	53,866	54,719
Debtors - amounts falling due in less than one year	15	21,565	21,564
Debtors - amounts falling due after more than one year	15	223,529	223,529
Cash at bank and in hand		76,972	68,734
Restricted cash	14	168,000	168,000
		543,932	536,546
<b>CURRENT LIABILITIES</b>			
Other creditors falling due within one year		(203,917)	(220,003)
Secured loan notes		(31,404)	(29,396)
Derivative financial instruments		(7,286)	(6,937)
<b>CREDITORS</b> - amounts falling due in less than one year	16	(242,607)	(256,336)
<b>NET CURRENT ASSETS</b>		301,325	280,210
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,280,257	1,304,653
<b>LONG TERM LIABILITIES</b>			
Other creditors falling due after more than one year		(206,235)	(206,377)
Secured loan notes		(900,793)	(932,124)
Derivative financial instruments		(31,677)	(47,820)
<b>CREDITORS</b> - amounts falling due after more than one year	17	(1,138,705)	(1,186,321)
<b>PROVISIONS FOR LIABILITIES</b>	19	(238)	(238)
<b>DEFERRED TAX LIABILITY</b>	19	(15,601)	(11,221)
<b>PENSION - DEFINED BENEFIT SCHEME LIABILITY</b>	21	(3,840)	(2,079)
<b>NET ASSETS</b>		121,873	104,794
<b>CAPITAL AND RESERVES</b>			
Called up share capital	22	84,000	84,000
Hedge reserve	23	-	(30,196)
Revaluation reserve	23	180,979	201,231
Other capital reserves	23	7,647	7,647
Profit and loss account	23	(150,753)	(157,888)
<b>SHAREHOLDERS' FUNDS</b>	23	121,873	104,794

The financial statements were approved and authorised for issue by the board and signed on its behalf on 24 September 2013



S Dando  
Director

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**COMPANY BALANCE SHEET**  
as at 17 August 2013

	<i>Notes</i>	17 August 2013 £000	18 August 2012 £000
<b>FIXED ASSETS</b>			
Investments	12	<u>175,647</u>	<u>175,647</u>
		175,647	175,647
<b>CURRENT ASSETS</b>			
Debtors amounts falling due after more than one year	15	<u>5,700</u>	<u>5,700</u>
<b>NET CURRENT ASSETS</b>		5,700	5,700
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>181,347</u>	<u>181,347</u>
<b>CREDITORS</b> amounts falling due after more than one year	17	(5,700)	(5,700)
<b>NET ASSETS</b>		<u><u>175,647</u></u>	<u><u>175,647</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	22	84,000	84,000
Share premium	23	91,647	91,647
<b>SHAREHOLDERS' FUNDS</b>	23	<u><u>175,647</u></u>	<u><u>175,647</u></u>

The financial statements were approved and authorised for issue by the board and signed on its behalf on 24 September 2013



S Dando  
Director

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**GROUP CASH FLOW STATEMENT**

for the 52 week period ended 17 August 2013

	<i>Notes</i>	52 week period ended 17 August 2013 £000	52 week period ended 18 August 2012 £000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	28	105,251	130,562
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest paid		(58,854)	(60,435)
Interest received		2,000	460
		(56,854)	(59,975)
<b>TAXATION (PAID) / RECEIVED</b>		(3,503)	1,447
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire tangible fixed assets		(21,177)	(16,423)
Receipts from sales of tangible fixed assets		44,568	49,390
		23,391	32,967
<b>NET CASH INFLOW BEFORE FINANCING</b>		68,285	105,001
<b>FINANCING</b>			
Loans repaid		(30,279)	(39,234)
Termination of financing arrangements		-	(2,815)
Payments made to other group undertakings		(29,768)	(24,800)
		(60,047)	(66,849)
<b>NET INCREASE IN CASH IN THE PERIOD</b>	28	8,238	38,152

## Punch Taverns (PMH) Limited

### Period ended 17 August 2013

#### NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 17 August 2013

#### 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 17 August 2013 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 17 August 2013. 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 17 August 2013 (period ended 18 August 2012 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 support from the wider Punch Taverns plc group in the form of a supply fee arrangement which amounted to £43,425,000 for the year to 17 August 2013, whereby the cost of drinks purchased is reduced. The group made £29,768,000 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 £13,657,000. Without this supply fee 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, other actions open to management (eg the repurchase and cancellation of securitisation debt at a discount, subject to prevailing market conditions and compliance with regulatory obligations) or the relevant stakeholders agreeing to amend the terms of the DSCR covenant.

The Board of Punch Taverns plc has continued an extensive process of engagement with a broad range of stakeholders to consider amendments to the previously announced restructuring proposals to allow its securitisations to be restructured in a consensual way, allowing the group to continue to comply with its amended financial covenants 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 its 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.

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 17 August 2013

**1 ACCOUNTING POLICIES**

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.

***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.

***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.

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

for the 52 week period ended 17 August 2013

**1 ACCOUNTING POLICIES**

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.

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.

**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 discounted at 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 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.

# Punch Taverns (PMH) Limited

## Period ended 17 August 2013

### NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 17 August 2013

#### 1 ACCOUNTING POLICIES

##### *Provisions*

Provisions are recognised when the company 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 group 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 company.

##### *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.



**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

for the 52 week period ended 17 August 2013

**1 ACCOUNTING POLICIES**

***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.

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 17 August 2013

**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

	<b>52 week period ended 17 August 2013 £000</b>	<b>52 week period ended 18 August 2012 £000</b>
Rental income	<u>42,898</u>	<u>46,454</u>

**3 OPERATING PROFIT / (LOSS)**

This is stated after charging

	<b>52 week period ended 17 August 2013 £000</b>	<b>52 week period ended 18 August 2012 £000</b>
Depreciation		
- owned fixed assets	2,537	3,499
- leased fixed assets	295	403
Operating lease rentals		
- land and buildings	<u>1,088</u>	<u>1,266</u>

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

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 17 August 2013

**4 NON-UNDERLYING ITEMS**

	<b>52 week period ended 17 August 2013 £000</b>	<b>52 week period ended 18 August 2012 £000</b>
<b>Included within administrative expenses.</b>		
Capital restructuring, redundancy and other related one-off costs	3,625	2,929
	3,625	2,929
<b>Included within loss on impairment of tangible fixed assets</b>	6,537	3,283
<b>Included within fixed asset disposals</b>		
Loss on disposal of fixed assets	3,922	5,189
<b>Included within interest receivable and similar income:</b>		
Movement in fair value of interest rate swaps (note 6)	(15,794)	-
<b>Included within interest payable and similar charges</b>		
Movement in fair value of interest rate swaps (note 7)	-	2,994
Non-underlying interest payable and similar charges (note 7)	1 39,089	-
	39,089	2,994
<b>Subordinated loan interest payable</b>	2 29,626	29,763
Tax relief on non-underlying items	(15,994)	(5,036)
Adjustment to tax in respect of prior periods	287	6,901
	51,298	46,023

<sup>1</sup> Represents the recycling of the Punch B C1 amounts previously taken to equity following the reclassification of the associated interest rate swap as ineffective during the period

<sup>2</sup> 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

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 17 August 2013

**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

	<b>52 week period ended 17 August 2013 £000</b>	<b>52 week period ended 18 August 2012 £000</b>
Rental income	<u>42,898</u>	<u>46,454</u>

**3 OPERATING PROFIT / (LOSS)**

This is stated after charging

		<b>52 week period ended 17 August 2013 £000</b>	<b>52 week period ended 18 August 2012 £000</b>
Depreciation	- owned fixed assets	2,537	3,499
	- leased fixed assets	295	403
Operating lease rentals	- land and buildings	<u>1,088</u>	<u>1,266</u>

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

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 17 August 2013

**6 INTEREST RECEIVABLE AND SIMILAR INCOME**

	52 week period ended 17 August 2013 £000	52 week period ended 18 August 2012 £000
Bank interest receivable	1,830	654
Pension finance income	2,900	2,900
Movement in fair value of interest rate swaps (note 4)	15,794	-
Loan note redemptions <sup>1</sup>	-	683
Other interest receivable	199	29
	<u>20,723</u>	<u>4,266</u>

<sup>1</sup> 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 17 August 2013 £000	52 week period ended 18 August 2012 £000
Bank and other loans	58,435	59,426
Pension finance costs	2,763	3,095
Movement in fair value of interest rate swaps (note 4)	-	2,994
Amortisation of deferred issue costs	956	995
Unwinding of discount effect of provision	-	18
Cost of terminating financing arrangements	-	147
Interest payable on tenants' deposits	-	325
Non-underlying interest payable and similar charges (note 4)	39,089	-
	<u>101,243</u>	<u>67,000</u>

**8 SUBORDINATED LOAN INTEREST PAYABLE**

	52 week period ended 17 August 2013 £000	52 week period ended 18 August 2012 £000
Subordinated loan interest payable to group undertakings	<u>29,626</u>	<u>29,763</u>

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 17 August 2013

**9 TAXATION**

	52 week period ended 17 August 2013 £000	52 week period ended 18 August 2012 £000
The tax charge for the period comprises		
UK corporation tax		
- current period group relief receivable	3,911	3,337
- adjustments in respect of prior periods	166	6,901
	<u>4,077</u>	<u>10,238</u>
Deferred tax		
- relating to pension costs under FRS 17	504	652
- current period charge	3,047	2,631
- relating to fair value of interest rate swaps under FRS 26	(5,500)	(45)
- change in standard rate of tax	(2,022)	(2,047)
- adjustments in respect of prior periods	121	(175)
	<u>(3,850)</u>	<u>1,016</u>
Total tax charge for the period	<u><u>227</u></u>	<u><u>11,254</u></u>

**Reconciliation of tax charge**

	52 week period ended 17 August 2013 £000	52 week period ended 18 August 2012 £000
Profit on ordinary activities before taxation	<u>1,714</u>	<u>24,712</u>
Profit on ordinary activities at standard rate of corporation tax in the UK of 23.61% (2012 25.22%)	405	6,232
Effects of		
Short term timing differences	4,909	(699)
Loss on disposal of fixed assets	926	1,309
Expenses not deductible for tax purposes / (income not chargeable for tax purposes)	633	(965)
Capital allowances in excess of depreciation	(2,921)	(2,491)
Utilisation of tax losses brought forward	(41)	(49)
Adjustments in respect of prior periods	166	6,901
Total current tax charge	<u><u>4,077</u></u>	<u><u>10,238</u></u>

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 17 August 2013

**10 INTANGIBLE ASSETS**

	<b>Negative goodwill £000</b>
<b>Cost</b>	
As at 17 August 2013 and 18 August 2012	<u>(19,628)</u>
<b>Amortisation</b>	
As at 18 August 2012	(6,908)
Credit for the period	<u>(981)</u>
As at 17 August 2013	<u>(7,889)</u>
<b>Net book amount</b>	
As at 17 August 2013	<u>(11,739)</u>
As at 18 August 2012	<u>(12,720)</u>

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

## Punch Taverns (PMH) Limited

Period ended 17 August 2013

### NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 17 August 2013

#### 11 TANGIBLE FIXED ASSETS

	Land & buildings £000	Public house fixtures & fittings £000	Total £000
<b>Cost or valuation</b>			
As at 18 August 2012	1,046,829	40,659	1,087,488
Additions	19,369	2,224	21,593
Disposals	(46,972)	(3,645)	(50,617)
Revaluation	(17,792)	-	(17,792)
<b>As at 17 August 2013</b>	<b><u>1,001,434</u></b>	<b><u>39,238</u></b>	<b><u>1,040,672</u></b>
<b>Depreciation:</b>			
As at 18 August 2012	15,235	35,090	50,325
Charge for the year	295	2,537	2,832
Revaluation	(51)	-	(51)
Disposals	-	(3,105)	(3,105)
<b>As at 17 August 2013</b>	<b><u>15,479</u></b>	<b><u>34,522</u></b>	<b><u>50,001</u></b>
<b>Net book value.</b>			
<b>As at 17 August 2013</b>	<b><u>985,955</u></b>	<b><u>4,716</u></b>	<b><u>990,671</u></b>
<b>As at 18 August 2012</b>	<b><u>1,031,594</u></b>	<b><u>5,569</u></b>	<b><u>1,037,163</u></b>

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 17 August 2013	<u>953,970</u>	<u>26,794</u>	<u>5,191</u>	<u>985,955</u>
As at 18 August 2012	<u>999,729</u>	<u>27,194</u>	<u>4,671</u>	<u>1,031,594</u>



## Punch Taverns (PMH) Limited

Period ended 17 August 2013

### NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 17 August 2013

#### 11 TANGIBLE FIXED ASSETS

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

	<b>Total £000</b>
Cost	1,021,744
Accumulated depreciation	(3,384)
Net book value at 17 August 2013	<u>1,018,360</u>
Net book value at 18 August 2012	<u>1,082,921</u>

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 Grimley Limited, Chartered Surveyors, acting as external valuers. At 17 August 2013, 223 properties (August 2012 231) were revalued resulting in a reduction in net assets of £17,741,000 (August 2012 £4,118,000), representing a 10.4% reduction (August 2012 2.4%) on those properties revalued. Of the £17,741,000, £11,204,000 was taken to the revaluation reserve and a charge of £6,537,000 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, a further revaluation had been performed of non-core properties which were 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 to eliminate revaluation gains of prior periods, and £5,462,000 was taken to the profit and loss account in the period.

The valuation of the remaining portfolio has not been updated, as the directors are not aware of any material change in value.

The company has no tangible fixed assets.

## Punch Taverns (PMH) Limited

Period ended 17 August 2013

### NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 17 August 2013

#### 12 FIXED ASSET INVESTMENTS

Company  
Shares in  
subsidiary  
undertakings  
£000

**Cost and net book value:**

As at 17 August 2013 and 18 August 2012

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

**Punch Taverns (PMH) Limited**

**Period ended 17 August 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

for the 52 week period ended 17 August 2013

**13 CURRENT ASSET INVESTMENTS**

	<b>Other investments £000</b>
<b>Cost</b>	
As at 18 August 2012	54,719
Repayments	(853)
As at 17 August 2013	<u>53,866</u>
<b>Cost and net book value:</b>	
As at 17 August 2013	<u>53,866</u>
As at 18 August 2012	<u>54,719</u>

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 17th August 2013 is £38,023,000 (18th August 2012 £32,525,000)

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 17 August 2013

14 Restricted cash	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Restricted cash	168,000	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**

Amounts falling due in less than one year	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Trade debtors	8,408	8,964	-	-
Amounts due from other companies in the Punch Taverns plc group	9,907	10,257	-	-
Prepayments and accrued income	3,250	2,343	-	-
	<u>21,565</u>	<u>21,564</u>	<u>-</u>	<u>-</u>

Amounts falling due after more than one year	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
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	2	-	-
	<u>223,529</u>	<u>223,529</u>	<u>5,700</u>	<u>5,700</u>

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

**16 CREDITORS** amounts falling due in less than one year

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Loans (note 18) <sup>1</sup>	31,404	29,396	-	-
Cash-backed borrowings (note 14)	168,000	168,000	-	-
Trade creditors	1,670	2,661	-	-
Amounts owed to other companies in the Punch Taverns plc group	6,773	17,274	-	-
Other creditors	9,157	9,654	-	-
Accruals and deferred income	12,783	17,280	-	-
Social security and other taxes	5,511	5,134	-	-
Corporation tax	23	-	-	-
Derivative financial instruments (note 20)	7,286	6,937	-	-
	<u>242,607</u>	<u>256,336</u>	<u>-</u>	<u>-</u>

<sup>1</sup> Stated net of deferred issue costs which are to be amortised over the term of the loans

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 17 August 2013

**17 CREDITORS** amounts falling due after more than one year

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Loans (note 18) <sup>1</sup>	900,793	932,124	-	-
Loans owed to other companies in the Punch Taverns plc group	206,235	206,377	-	-
Amounts owed to other companies in the Punch Taverns plc group	-	-	5,700	5,700
Derivative financial instruments (note 20)	31,677	47,820	-	-
	<u>1,138,705</u>	<u>1,186,321</u>	<u>5,700</u>	<u>5,700</u>

<sup>1</sup> 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

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 17 August 2013

**18 SECURED LOAN NOTES**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
<b>Loan maturity analysis</b>		
Amounts repayable by instalments falling due		
In less than one year	32,254	30,279
Between one and two years	33,860	32,254
Between two and five years	128,321	114,341
In five years or more	743,541	791,381
Less deferred issue costs	(5,779)	(6,735)
	<b>932,197</b>	<b>961,520</b>

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Details of the loans are as follows		
Class A3 secured notes repayable by June 2022 at 7.369% per annum	166,830	182,106
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	177,360	189,688
Class A8 secured floating rate notes repayable by June 2033 at LIBOR <sup>1</sup> +0.28% until June 2015 and LIBOR <sup>1</sup> + 0.7% thereafter	46,286	48,961
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 <sup>1</sup> +1.1% until June 2015 and LIBOR <sup>1</sup> + 2.75% thereafter	125,000	125,000
	<b>937,976</b>	<b>968,255</b>
Less deferred issue costs	(5,779)	(6,735)
	<b>932,197</b>	<b>961,520</b>

<sup>1</sup>For 3 months deposits

In the prior period the group redeemed Class A8 notes with a nominal value of £10,328,000

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

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 17 August 2013

**19 PROVISIONS FOR LIABILITIES**

	Property leases £000	Deferred taxation £000	Total £000
As at 18 August 2012	238	11,221	11,459
Credited to the profit and loss account	-	(4,513)	(4,513)
Charged direct to equity	-	8,893	8,893
As at 17 August 2013	<u>238</u>	<u>15,601</u>	<u>15,839</u>

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.

	2013 £000	2012 £000
The deferred tax balance consists of		
Capital allowances in excess of depreciation	24,722	25,464
Interest rate swaps	(7,793)	(12,594)
Losses recognised	(474)	(584)
Short term timing differences	(854)	(1,065)
	<u>15,601</u>	<u>11,221</u>

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 £13,574,000 (2012 £17,490,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 17 August 2013 has been calculated based on the rates of 20% and 23%, respectively, substantively enacted at the balance sheet date.

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 17 August 2013

**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 group'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 company's sources of finance. It is, and has been throughout the period under review, the company's policy that no speculative trading in financial instruments shall be undertaken.

The main risks arising from the group'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 group primarily finances its operations through loan notes. The group 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 group's exposure to interest rate fluctuations. The cash balances attract interest at floating rates. The interest rate on the group'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 79% (2012: 82%) 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	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Derivative financial instruments	<u>(7,286)</u>	<u>(6,937)</u>
Creditors - amounts falling due after more than one year	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Derivative financial instruments	<u>(31,677)</u>	<u>(47,820)</u>

The interest rate swaps replace the LIBOR rate on the company'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.

The company has no derivative financial instruments.



## Punch Taverns (PMH) Limited

Period ended 17 August 2013

### NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 17 August 2013

#### 21 PENSION - DEFINED BENEFIT SCHEME LIABILITY

Pension liability	2013 £000	2012 £000
Liability brought forward	2,700	7,900
Credited to the profit and loss account	(300)	-
Cash payments during the period	(2,000)	(2,800)
Actuarial loss / (gain)	4,400	(2,400)
Liability before deferred tax	<u>4,800</u>	<u>2,700</u>
Deferred tax asset	(960)	(621)
Liability net of deferred tax	<u><u>3,840</u></u>	<u><u>2,079</u></u>

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

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	2013 £000	2012 £000
Current service cost	<u>(100)</u>	<u>(100)</u>
Analysis of the amounts credited to other finance income and charged to finance costs	2013 £000	2012 £000
Expected return on scheme assets	2,900	2,900
Interest on scheme liabilities	(2,500)	(2,800)
Net credit	<u>400</u>	<u>100</u>

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

	2013 £000	2012 £000
Actual return on assets	4,100	5,800
Expected return on assets	(2,900)	(2,900)
Experience loss on liabilities	(5,600)	(500)
Expected actuarial (losses) / gains recognised in the STRGL	<u>(4,400)</u>	<u>2,400</u>
Actuarial (losses) / gains recognised in the STRGL	<u><u>(4,400)</u></u>	<u><u>2,400</u></u>

The amounts recognised in the balance sheet are as follows

	2013 £000	2012 £000
Present value of scheme liabilities	(61,600)	(55,600)
Fair value of scheme assets	56,800	52,900
Net retirement benefit liability recognised in the balance sheet	<u><u>(4,800)</u></u>	<u><u>(2,700)</u></u>

## Punch Taverns (PMH) Limited

Period ended 17 August 2013

### NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 17 August 2013

Movements in the present value of scheme liabilities are as follows

	2013	2012
	£000	£000
Present value of scheme liabilities at beginning of period	55,600	54,400
Current service cost	100	100
Interest cost	2,500	2,800
Actuarial losses	5,600	500
Benefits paid	(2,200)	(2,200)
Present value of scheme liabilities at end of period	61,600	55,600

Movements in the fair value of scheme assets are as follows

	2013	2012
	£000	£000
Fair value of scheme assets at beginning of period	52,900	46,500
Expected return on scheme assets	2,900	2,900
Actuarial gains	1,200	2,900
Contributions paid by employer	2,000	2,800
Benefits paid	(2,200)	(2,200)
Fair value of scheme assets at end of period	56,800	52,900

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 major categories of plan assets as a percentage of total plan assets are as follows

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

	2013	2012	2011	2010	2009
Actual return less expected return on scheme assets	1,200	2,900	(1,500)	3,400	(3,200)
Percentage adjustments on scheme assets	2.1%	5.5%	-3.2%	7.5%	-7.9%
Experience adjustments on scheme liabilities	(5,600)	(500)	800	600	(4,100)
Percentage of scheme liabilities	9.1%	0.9%	-1.5%	-1.1%	7.6%
Total gain / (loss) recognised in STRGL	(4,400)	2,400	(700)	4,000	(7,300)
Percentage of scheme assets	-7.7%	4.5%	-1.5%	9.9%	-18.0%

## Punch Taverns (PMH) Limited

Period ended 17 August 2013

### NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 17 August 2013

#### 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 17 August 2013, 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

	2013	2012
Male currently aged 50	23.1 years	23.0 years
Male currently aged 65	21.5 years	21.3 years
Female currently aged 50	25.6 years	25.3 years
Female currently aged 65	23.8 years	23.5 years

The assumptions used in determining the valuations are as follows

	2013	2012
Rate of increase of salaries	4.80%	4.00%
Rate of increase in pensions	2.85%	2.45%
Discount rate	4.50%	4.60%
Inflation assumption (RPI)	3.55%	2.75%
Inflation assumption (CPI)	2.55%	2.00%

The assets in the scheme and expected rates of return were

	Long-term rate of return expected at 17 August 2013	Value at 17 August 2013 £000	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
Equities	7.00%	13,500	7.00%	13,600	7.75%	25,400
Bonds	3.80%	16,200	3.80%	14,900	4.20%	19,400
Insured pensions	4.60%	1,300	4.60%	1,400	5.20%	1,500
Cash	2.50%	700	2.50%	700	4.00%	200
Diversified growth funds	6.00%	25,100	6.00%	22,300	0.00%	-
Total market value of assets		56,800		52,900		46,500
Present value of scheme liabilities		(61,600)		(55,600)		(54,400)
Deficit in the scheme before deferred tax		(4,800)		(2,700)		(7,900)
Deferred tax asset		960		621		1,975
Net pension liability		(3,840)		(2,079)		(5,925)

**Punch Taverns (PMH) Limited**

**Period ended 17 August 2013**

**NOTES TO THE FINANCIAL STATEMENTS**

for the 52 week period ended 17 August 2013

**22 SHARE CAPITAL**

	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>
	<b>No</b>	<b>£000</b>	<b>No</b>	<b>£000</b>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	<u>84,000,102</u>	<u>84,000</u>	<u>84,000,102</u>	<u>84,000</u>

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 17 August 2013

**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 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	<u>84,000</u>	<u>(30,196)</u>	<u>201,231</u>	<u>7,647</u>	<u>(157,888)</u>	<u>104,794</u>
Total gains for the period	-	30,196	(11,204)	-	(1,913)	17,079
Transfers on disposal of fixed assets	-	-	(9,048)	-	9,048	-
At 17 August 2013	<u><u>84,000</u></u>	<u><u>-</u></u>	<u><u>180,979</u></u>	<u><u>7,647</u></u>	<u><u>(150,753)</u></u>	<u><u>121,873</u></u>
<b>Company</b>			Share Capital £000	Share Premium £000	Profit & Loss Account £000	Total holders' (Deficit) / Funds £000
At 17 August 2013, 18 August 2012 and 20 August 2011			<u><u>84,000</u></u>	<u><u>91,647</u></u>	<u><u>-</u></u>	<u><u>175,647</u></u>

**Punch Taverns (PMH) Limited**  
**Period ended 17 August 2013**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 17 August 2013

**24 FINANCIAL COMMITMENTS**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Contracted not provided	<u>3,570</u>	<u>4,885</u>

At 17 August 2013 the company had annual commitments under non-cancellable operating leases as set out below

**Land and buildings**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Operating leases which expire		
In less than one year	97	-
2 - 5 years	262	425
Over five years	672	731
	<u>1,031</u>	<u>1,156</u>

**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 transactions during the period.

**26 POST BALANCE SHEET EVENTS**

At 17 August 2013, no obligation exists for dividends declared after that date. (18 August 2012: £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 17 August 2013**

**NOTES TO THE CASH FLOW STATEMENT**  
for the 52 week period ended 17 August 2013

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

	52 week period ended 17 August 2013	52 week period ended 18 August 2012
	£000	£000
Operating profit	111,860	117,209
Depreciation and impairment of tangible fixed assets	9,369	7,185
Loss on disposal of fixed assets	3,922	5,189
Amortisation of negative goodwill	(981)	(982)
(Increase) / decrease in debtors	(351)	659
(Decrease) / increase in creditors	(18,568)	1,302
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>105,251</b>	<b>130,562</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	52 week period ended 17 August 2013	52 week period ended 18 August 2012
	£000	£000
Increase in cash in the period	8,238	38,152
Increase in restricted cash in the period	-	168,000
Cash inflow from change in debt financing	60,047	66,849
Outflow in cash-backed borrowings	-	(168,000)
Change in net debt resulting from cash flows	68,285	105,001
Other non cash movements in net debt	(14,788)	(45,821)
Change in net debt resulting from non cash flows	(14,788)	(45,821)
Movement in net debt	53,497	59,180
Net debt at beginning of period	(930,393)	(989,573)
<b>Net debt at end of period</b>	<b>(876,896)</b>	<b>(930,393)</b>

**ANALYSIS OF CHANGES IN NET DEBT**

	18 August 2012 £000	Cash flow £000	Other non-cash changes £000	17 August 2013 £000
Cash at bank and in hand	68,734	8,238	-	76,972
Restricted cash	168,000	-	-	168,000
Loans owed from other companies in the Punch Taverns plc group	17,150	29,768	(29,626)	17,292
Other loans	(961,520)	30,279	(956)	(932,197)
Cash-backed borrowings	(168,000)	-	-	(168,000)
Derivative financial instrument	(54,757)	-	15,794	(38,963)
	<b>(930,393)</b>	<b>68,285</b>	<b>(14,788)</b>	<b>(876,896)</b>