

Registered No
3720775

Punch Taverns (PMH) Limited

Report and Consolidated Financial Statements

20 August 2011



Punch Taverns (PMH) Limited
Period ended 20 August 2011

DIRECTORS

E Bashforth
S Dando appointed 06 Sep 2010
P Dutton resigned 31 Jan 2011
G Thorley resigned 06 Sep 2010
Wilmington Trust SP Services Limited

SECRETARY

H Tyrrell appointed 06 Jul 2011
C Stewart resigned 06 Jul 2011

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 20 August 2011

DIRECTORS' REPORT

Registered No 3720775

The directors present their report and financial statements for the financial period ended 20 August 2011

RESULTS AND DIVIDENDS

The loss after taxation for the financial period amounted to £46,751,000 (52 week period ended 21 August 2010 loss after taxation of £7,607,000) The directors do not propose the payment of a final dividend (2010 £nil)

Before non-underlying items, the group has made a profit after taxation of £52,351,000 (2010 £48,475,000)

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 £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

As explained in note 1 to the financial statements, the company is dependent upon support from its parent company to meet its liabilities as they fall due Enquiries have been made of the directors of the company's ultimate parent company, Punch Taverns plc, regarding the ability of Punch Taverns plc to continue as a going concern Therefore the directors have, continued to adopt the going concern basis in preparing the financial statements

RISKS AND UNCERTAINTIES

Liquidity risk

The group is primarily financed by secured loan notes, with 84% (2010 85%) 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 19 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 19 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

DIRECTORS

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

Punch Taverns (PMH) Limited
Period ended 20 August 2011

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period, the company made no charitable contributions (2010 £nil) The company made no political contributions during the period (2010 £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 20 August 2011, the company had an average of nil days (2010 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
14 Dec 2011

Punch Taverns (PMH) Limited
Period ended 20 August 2011

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 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

Punch Taverns (PMH) Limited
Period ended 20 August 2011

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 20 August 2011 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 27. 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 auditor's 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 20 August 2011 and of its loss 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.

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.



G A Watts

for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
14 Dec 2011

Punch Taverns (PMH) Limited

Period ended 20 August 2011

GROUP PROFIT & LOSS ACCOUNT

for the 52 week period ended 20 August 2011

	Notes	52 week period ended 20 August 2011			52 week period ended 21 August 2010		
		Underlying items	Non-underlying items (note 4)	Total	Underlying items	Non-underlying items (note 4)	Total
		£000	£000	£000	£000	£000	£000
TURNOVER	2	206,916	-	206,916	223,471	-	223,471
Cost of sales		(49,669)	-	(49,669)	(68,144)	-	(68,144)
GROSS PROFIT		<u>157,247</u>	<u>-</u>	<u>157,247</u>	<u>155,327</u>	<u>-</u>	<u>155,327</u>
Administrative expenses		(24,687)	(78,036)	(102,723)	(27,688)	(16,443)	(44,131)
Loss on disposal of fixed assets		-	(6,163)	(6,163)	-	(18,913)	(18,913)
OPERATING PROFIT	3	<u>132,560</u>	<u>(84,199)</u>	<u>48,361</u>	<u>127,639</u>	<u>(35,356)</u>	<u>92,283</u>
Interest receivable and similar income	6	3,207	7,454	10,661	2,917	3,986	6,903
Interest payable and similar charges	7	(64,822)	(1,138)	(65,960)	(71,018)	(10,376)	(81,394)
Subordinated loan interest payable	8	-	(30,630)	(30,630)	-	(27,796)	(27,796)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>70,945</u>	<u>(108,513)</u>	<u>(37,568)</u>	<u>59,538</u>	<u>(69,542)</u>	<u>(10,004)</u>
Tax on profit / (loss) on ordinary activities	9	(18,594)	9,411	(9,183)	(11,063)	13,460	2,397
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>52,351</u></u>	<u><u>(99,102)</u></u>	<u><u>(46,751)</u></u>	<u><u>48,475</u></u>	<u><u>(56,082)</u></u>	<u><u>(7,607)</u></u>

The profit and loss account relates to continuing activities

Punch Taverns (PMH) Limited
Period ended 20 August 2011

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 52 week period ended 20 August 2011

	52 week period ended 20 August 2011 £000	52 week period ended 21 August 2010 £000
Loss for the period	(46,751)	(7,607)
Profit and losses recognised directly in equity		
Actuarial (loss) / profit for the period	(700)	4,000
Deferred tax on actuarial (loss) / profit	191	(1,120)
	<u>(509)</u>	<u>2,880</u>
Losses on cash flow hedges	(9,931)	(17,319)
Transfers to the profit and loss account on cash flow hedges	4,941	5,099
Tax on items taken directly to equity	1,358	3,422
Net loss on cash flow hedges	<u>(3,632)</u>	<u>(8,798)</u>
Unrealised deficit on revaluation of fixed assets	(116,493)	(74,330)
Total losses since the last report	<u><u>(167,385)</u></u>	<u><u>(87,855)</u></u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the 52 week period ended 20 August 2011

	52 week period ended 20 August 2011 £000	52 week period ended 21 August 2010 £000
Reported loss on ordinary activities before taxation	(37,568)	(10,004)
Realisation of property revaluation gains of prior periods	9,652	20,792
Difference between historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	33	69
Historical cost (loss) / profit on ordinary activities before taxation	<u>(27,883)</u>	<u>10,857</u>
Historical cost (loss) / profit for the period retained after taxation	<u><u>(37,066)</u></u>	<u><u>13,254</u></u>

Punch Taverns (PMH) Limited
Period ended 20 August 2011

GROUP BALANCE SHEET
as at 20 August 2011

	<i>Notes</i>	20 August 2011 £000	21 August 2010 £000
FIXED ASSETS			
Goodwill	10	(13,702)	(14,683)
Tangible fixed assets	12	1,098,177	1,313,990
		<u>1,084,475</u>	<u>1,299,307</u>
CURRENT ASSETS			
Other current asset investments	13	55,533	32,484
Debtors amounts falling due in less than one year	14	38,209	44,626
Debtors amounts falling due after more than one year	14	223,634	223,634
Cash at bank and in hand		30,582	37,069
		<u>347,958</u>	<u>337,813</u>
CURRENT LIABILITIES			
Other creditors falling due within one year		(50,607)	(66,167)
Secured loan notes		(28,985)	(28,407)
Derivative financial instruments		(7,228)	(7,105)
CREDITORS amounts falling due in less than one year	15	<u>(86,820)</u>	<u>(101,679)</u>
NET CURRENT ASSETS		<u>261,138</u>	<u>236,134</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,345,613</u>	<u>1,535,441</u>
LONG TERM LIABILITIES			
Other creditors falling due after more than one year		(203,430)	(204,470)
Secured loan notes		(971,394)	(1,000,380)
Derivative financial instruments		(34,661)	(28,743)
CREDITORS amounts falling due after more than one year	16	<u>(1,209,485)</u>	<u>(1,233,593)</u>
PROVISIONS FOR LIABILITIES	18	(258)	(997)
DEFERRED TAX LIABILITY	18	(12,979)	(9,857)
PENSION - DEFINED BENEFIT SCHEME LIABILITY	20	(5,925)	(6,643)
NET ASSETS		<u>116,966</u>	<u>284,351</u>
CAPITAL AND RESERVES			
Called up share capital	21	84,000	84,000
Hedge reserve	22	(19,584)	(15,952)
Revaluation reserve	22	215,215	340,502
Other capital reserves	22	7,647	7,647
Profit and loss account	22	(170,312)	(131,846)
SHAREHOLDERS' FUNDS	22	<u>116,966</u>	<u>284,351</u>

The financial statements were approved and authorised for issue by the board and signed on its behalf on 14 December 2011



S Dando
Director

Punch Taverns (PMH) Limited
Period ended 20 August 2011

COMPANY BALANCE SHEET
as at 20 August 2011

	<i>Notes</i>	20 August 2011 £000	21 August 2010 £000
FIXED ASSETS			
Investments	11	175,647	175,647
		<u>175,647</u>	<u>175,647</u>
CURRENT ASSETS			
Debtors amounts falling due after more than one year	14	5,700	5,700
NET CURRENT ASSETS		<u>5,700</u>	<u>5,700</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>181,347</u>	<u>181,347</u>
CREDITORS amounts falling due after more than one year	16	(5,700)	(5,700)
NET ASSETS		<u><u>175,647</u></u>	<u><u>175,647</u></u>
CAPITAL AND RESERVES			
Called up share capital	21	84,000	84,000
Share premium	22	91,647	91,647
SHAREHOLDERS' FUNDS	7	<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 14 December 2011



S Dando
Director

Punch Taverns (PMH) Limited
Period ended 20 August 2011

GROUP CASH FLOW STATEMENT

for the 52 week period ended 20 August 2011

	<i>Notes</i>	52 week period ended 20 August 2011 £000	52 week period ended 21 August 2010 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	27	124,522	106,363
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(61,341)	(67,722)
Interest received		360	388
		<u>(60,981)</u>	<u>(67,334)</u>
TAXATION PAID		(6,296)	(6,127)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(17,898)	(17,218)
Receipts from sales of tangible fixed assets		29,513	85,309
		<u>11,615</u>	<u>68,091</u>
NET CASH INFLOW BEFORE FINANCING		<u>68,860</u>	<u>100,993</u>
FINANCING			
Loans repaid		(46,647)	(180,837)
Termination of financing arrangements		-	(20,910)
Payments made to other group undertakings		(28,700)	(4,040)
		<u>(75,347)</u>	<u>(205,787)</u>
NET DECREASE IN CASH IN THE PERIOD	27	<u><u>(6,487)</u></u>	<u><u>(104,794)</u></u>

Punch Taverns (PMH) Limited
Period ended 20 August 2011

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 20 August 2011

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 group, with the exception of derivative financial instruments which are measured at fair value.

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 20 August 2011. 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 20 August 2011 (period ended 21 August 2010 result after taxation of £nil).

Fundamental accounting concept – going concern

The ultimate parent has undertaken to support the company for a period of at least one year following the date of approval of these financial statements and not recall group debt until all other liabilities have been settled and the company has funds to repay. For this reason, the financial statements have been prepared on a going concern basis.

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 20. Any change in these assumptions could impact the carrying amounts of pension liabilities.

Punch Taverns (PMH) Limited
Period ended 20 August 2011

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 20 August 2011

1 ACCOUNTING POLICIES

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

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

Punch Taverns (PMH) Limited
Period ended 20 August 2011

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 20 August 2011

1 ACCOUNTING POLICIES

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 company'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 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.

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.

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 group has taken advantage of the exemption in FRS 29 not to present separate financial instrument disclosures for the group.

Punch Taverns (PMH) Limited
Period ended 20 August 2011

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 20 August 2011

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.

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 20 August 2011

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 20 August 2011

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 20 August 2011 £000	52 week period ended 21 August 2010 £000
Rental income	<u>52,963</u>	<u>58,209</u>

3 OPERATING PROFIT

This is stated after charging

	52 week period ended 20 August 2011 £000	52 week period ended 21 August 2010 £000
Depreciation - owned fixed assets	3,950	5,149
Operating lease rentals - land and buildings	<u>1,339</u>	<u>1,199</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 20 August 2011

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 20 August 2011

4 NON-UNDERLYING ITEMS

	52 week period ended 20 August 2011 £000	52 week period ended 21 August 2010 £000
Included within administrative expenses		
Redundancy and reorganisation costs	1,069	166
Impairment of tangible fixed assets	77,591	15,770
Onerous property leases	(624)	507
	78,036	16,443
Included within fixed asset disposals		
Loss on disposal of fixed assets	6,163	18,913
Included within interest receivable and similar income:		
Non-underlying interest receivable (note 6)	1 (7,454)	(3,986)
Included within interest payable and similar income		
Movement in fair value of interest rate swaps (note 7)	1,051	10,336
Cost of terminating financing arrangements (note 7)	87	40
	1,138	10,376
Subordinated loan interest payable	2 30,630	27,796
Tax relief on non-underlying items	(9,411)	(13,460)
	99,102	56,082

¹ Represents release of liability on loan from group undertaking

² 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 20 August 2011

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 20 August 2011

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	52 week period ended 20 August 2011 £000	52 week period ended 21 August 2010 £000
Bank interest receivable	302	415
Pension finance income	2,900	2,500
Other interest receivable	5	2
Non-underlying interest receivable (note 4)	7,454	3,986
	<u>10,661</u>	<u>6,903</u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

	52 week period ended 20 August 2011 £000	52 week period ended 21 August 2010 £000
Bank and other loans	60,557	66,493
Pension finance costs	3,019	3,108
Movement in fair value of interest rate swaps (note 4)	1,051	10,336
Amortisation of deferred issue costs	1,044	1,190
Unwinding of discount effect of provision	47	49
Cost of terminating financing arrangements (note 4)	87	40
Interest payable on tenants' deposits	155	178
	<u>65,960</u>	<u>81,394</u>

8 SUBORDINATED LOAN INTEREST PAYABLE

	52 week period ended 20 August 2011 £000	52 week period ended 21 August 2010 £000
Subordinated loan interest payable to group undertakings	<u>30,630</u>	<u>27,796</u>

Punch Taverns (PMH) Limited
Period ended 20 August 2011

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 20 August 2011

9 TAXATION

	52 week period ended 20 August 2011 £000	52 week period ended 21 August 2010 £000
The tax charge / (credit) for the period comprises		
UK corporation tax		
- current period group relief receivable / (surrendered)	4,818	(5,588)
- adjustments in respect of prior periods	(788)	(147)
	<u>4,030</u>	<u>(5,735)</u>
Deferred tax		
- relating to pension costs under FRS 17	673	231
- current period charge	5,303	1,102
- relating to fair value of interest rate swaps under FRS 26	(286)	2,961
- change in standard rate of tax	(1,088)	(365)
- adjustments in respect of prior periods	551	(591)
	<u>5,153</u>	<u>3,338</u>
Total tax charge / (credit) for the period	<u>9,183</u>	<u>(2,397)</u>
Reconciliation of tax charge / (credit)		
	52 week period ended 20 August 2011 £000	52 week period ended 21 August 2010 £000
Loss on ordinary activities before taxation	<u>(37,568)</u>	<u>(10,004)</u>
Loss on ordinary activities at standard rate of corporation tax in the UK of 27.22% (2010: 28.0%)	(10,226)	(2,801)
Effects of		
Short term timing differences	(330)	(3,202)
Loss on disposal of fixed assets	1,678	5,296
Expenses not deductible for tax purposes / (income not chargeable for tax purposes)	18,913	(4,398)
Capital allowances in excess of depreciation	(5,164)	(941)
Utilisation of tax losses brought forward	(53)	(60)
Adjustments in respect of prior periods	(788)	(147)
Total current tax charge / (credit)	<u>4,030</u>	<u>(6,253)</u>

Punch Taverns (PMH) Limited

Period ended 20 August 2011

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 20 August 2011

10 INTANGIBLE ASSETS

	Negative goodwill £000
Cost	
As at 20 August 2011 and 21 August 2010	<u>(19,628)</u>
Amortisation:	
As at 21 August 2010	(4,945)
Charge / (credit) for the period	(981)
As at 20 August 2011	<u>(5,926)</u>
Net book amount	
As at 20 August 2011	<u>(13,702)</u>
As at 21 August 2010	<u>(14,683)</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 20 August 2011

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 20 August 2011

11 FIXED ASSET INVESTMENTS

Company

Shares in
subsidiary
undertakings
£000

Cost and net book value

As at 20 August 2011 and 21 August 2010

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
Punch Taverns Finance B Limited

Pub operating company
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 20 August 2011

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 20 August 2011

12 TANGIBLE FIXED ASSETS

	Land & buildings £000	Public house fixtures & fittings £000	Total £000
Cost or valuation			
As at 21 August 2010	1,320,969	44,760	1,365,729
Additions	16,280	1,618	17,898
Disposals	(33,828)	(4,656)	(38,484)
Revaluation	(197,233)	-	(197,233)
As at 20 August 2011	<u>1,106,188</u>	<u>41,722</u>	<u>1,147,910</u>
Depreciation			
As at 21 August 2010	17,701	34,038	51,739
Charge for the year	614	3,336	3,950
Revaluation	(3,148)	-	(3,148)
Disposals	(62)	(2,746)	(2,808)
As at 20 August 2011	<u>15,105</u>	<u>34,628</u>	<u>49,733</u>
Net book value.			
As at 20 August 2011	<u>1,091,083</u>	<u>7,094</u>	<u>1,098,177</u>
As at 21 August 2010	<u>1,303,268</u>	<u>10,722</u>	<u>1,313,990</u>

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 20 August 2011	<u>1,056,633</u>	<u>28,828</u>	<u>5,622</u>	<u>1,091,083</u>
As at 21 August 2010	<u>1,256,053</u>	<u>37,212</u>	<u>10,003</u>	<u>1,303,268</u>

Punch Taverns (PMH) Limited

Period ended 20 August 2011

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 20 August 2011

12 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	1,186,123
Accumulated depreciation	(15,587)
Net book value at 20 August 2011	<u>1,170,536</u>
Net book value at 21 August 2010	<u>1,091,156</u>

Following the results of the strategic review the Board has undertaken a full revaluation of the pub estate by independent valuers. This is a one-off exercise and going forward the group will revert back to revaluing the estate professionally by independent valuers on a five-year rolling basis. In the current period the valuation has been performed in accordance with market practice by GVA Humberts Leisure Limited, 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.

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, the estate was revalued professionally by independent valuers on a five-year rolling basis. At 21 August 2010, 379 properties were revalued resulting in an reduction of net assets of £7,433,000, representing a 3.0% reduction on the properties revalued.

In the prior period, a further revaluation was performed of non-core properties which are likely to be sold or converted for alternative use within the next five years. 504 properties were valued at their fair value less costs to sell resulting in a reduction in net assets of £82,665,000. Of the £82,665,000, £72,008,000 was taken to the revaluation reserve to eliminate revaluation gains of prior periods, and £10,657,000 was taken to the profit and loss account in the period.

The company has no tangible fixed assets.

Punch Taverns (PMH) Limited

Period ended 20 August 2011

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 20 August 2011

13 CURRENT ASSET INVESTMENTS

	Other investments £000
Cost	
As at 21 August 2010	32,484
Additions	25,185
Repayments	(2,136)
As at 20 August 2011	<u>55,533</u>
Cost and net book value	
As at 20 August 2011	<u>55,533</u>
As at 21 August 2010	<u>32,484</u>

Current asset investments represent secured loan notes issued by the Punch Taverns plc group of companies that have been purchased during the period but which are held by the company at the year end as they are not yet cancelled

Punch Taverns (PMH) Limited
Period ended 20 August 2011

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 20 August 2011

14 DEBTORS

	Group		Company	
	2011	2010	2011	2010
Amounts falling due in less than one year	£000	£000	£000	£000
Trade debtors	8,684	11,095	-	-
Amounts due from other companies in the Punch Taverns plc group	26,243	31,638	-	-
Prepayments and accrued income	3,282	1,893	-	-
	<u>38,209</u>	<u>44,626</u>	<u>-</u>	<u>-</u>
	2011	2010	2011	2010
Amounts falling due after more than one year	£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	107	107	-	-
	<u>223,634</u>	<u>223,634</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

15 CREDITORS amounts falling due in less than one year

	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
Loans (note 17) ¹	28,985	28,408	-	-
Trade creditors	1,644	3,398	-	-
Amounts owed to other companies in the Punch Taverns plc group	17,777	29,845	-	-
Other creditors	10,480	10,978	-	-
Accruals and deferred income	17,219	17,341	-	-
Social security and other taxes	3,487	4,604	-	-
Derivative financial instruments (note 19)	7,228	7,105	-	-
	<u>86,820</u>	<u>101,679</u>	<u>-</u>	<u>-</u>

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

16 CREDITORS amounts falling due after more than one year

	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
Loans (note 17) ¹	971,394	1,000,379	-	-
Loans owed to group undertakings	201,414	199,483	-	-
Amounts owed to other companies in the Punch Taverns plc group	2,016	4,988	5,700	5,700
Derivative financial instruments (note 19)	34,661	28,743	-	-
	<u>1,209,485</u>	<u>1,233,593</u>	<u>5,700</u>	<u>5,700</u>

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

In the prior period, loans owed to other companies in the Punch Taverns plc group related to a subordinated loan with Punch Taverns (PRAF) Limited. Interest accrued at 15% and is capitalised quarterly in arrears. During the period this loan was novated to Punch Taverns (PGE) Limited and interest accrues at 15% and is capitalised quarterly in arrears.

Punch Taverns (PMH) Limited
Period ended 20 August 2011

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 20 August 2011

17 SECURED LOAN NOTES

	2011	2010
	£000	£000
Loan maturity analysis		
Amounts repayable by instalments falling due		
In less than one year	29,994	29,451
Between one and two years	30,821	29,994
Between two and five years	104,044	98,056
In five years or more	843,310	880,120
Less deferred issue costs	(7,790)	(8,834)
	1,000,379	1,028,787

	2011	2010
	£000	£000
Details of the loans are as follows		
Class A3 secured notes repayable by June 2022 at 7.369% per annum	197,114	201,000
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	201,455	224,608
Class A8 secured floating rate notes repayable by June 2033 at LIBOR ¹ +0.28% until June 2015 and LIBOR ¹ + 0.7% thereafter	62,100	64,513
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
	1,008,169	1,037,621
Less deferred issue costs	(7,790)	(8,834)
	1,000,379	1,028,787

¹For 3 months deposits

In the prior period the group redeemed Class A8 notes with a nominal value of £158,067,000

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 20 August 2011

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 20 August 2011

18 PROVISIONS FOR LIABILITIES

	Property leases £000	Deferred taxation £000	Total £000
As at 21 August 2010	997	9,857	10,854
Utilised during the period	(162)	-	(162)
Unwinding of discount effect of provisions	47	-	47
Charged to the profit and loss account	97	4,480	4,577
Released in the period	(721)	-	(721)
Credited direct to equity	-	(1,358)	(1,358)
As at 20 August 2011	258	12,979	13,237

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.

	2011 £000	2010 £000
The deferred tax balance consists of		
Depreciation in excess of capital allowances	25,385	21,763
Interest rate swaps	(10,473)	(9,679)
Losses recognised	(684)	(780)
Short term timing differences	(1,249)	(1,447)
	12,979	9,857

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 £16,347,000 (2010 £68,755,608). 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. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 20 August 2011 has been calculated based on the rate of 25% substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly. Had further tax rate changes been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax liability recognised at that date by £519,000 per percentage point reduction.

Punch Taverns (PMH) Limited
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NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 20 August 2011

19 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 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 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 84% (2010: 85%) 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	2011	2010
	£000	£000
Interest rate swaps	<u>(7,228)</u>	<u>(7,105)</u>
Creditors - amounts falling due after more than one year	2011	2010
	£000	£000
Interest rate swaps	<u>(34,661)</u>	<u>(28,743)</u>

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.

The company has no derivative financial instruments.

Punch Taverns (PMH) Limited

Period ended 20 August 2011

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 20 August 2011

20 PENSION - DEFINED BENEFIT SCHEME LIABILITY

Pension liability	2011 £000	2010 £000
Liability brought forward	9,100	13,600
(Credited) / charged to the profit and loss account	(100)	600
Cash payments during the period	(1,800)	(1,100)
Actuarial loss / (gain)	700	(4,000)
Liability before deferred tax	<u>7,900</u>	<u>9,100</u>
Deferred tax asset	(1,975)	(2,457)
Liability net of deferred tax	<u><u>5,925</u></u>	<u><u>6,643</u></u>

During the period, the company operated one funded defined benefit pension schemes, 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 credited / (charged) to finance income and costs are as follows:

Analysis of the amounts charged to operating costs	2011 £000	2010 £000
Current service cost	<u>(100)</u>	<u>(100)</u>
Analysis of the amounts credited to other finance income	2011 £000	2010 £000
Expected return on scheme assets	2,900	2,500
Interest on scheme liabilities	(2,700)	(3,000)
Net credit / (charge)	<u>200</u>	<u>(500)</u>

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

Actual return on assets	2011 £000	2010 £000
Expected return on assets	1,400	900
Experience gain on liabilities	(2,900)	2,500
Actuarial (losses) / gains recognised in the STRGL	800	600
	<u>(700)</u>	<u>4,000</u>

Punch Taverns (PMH) Limited

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The amounts recognised in the balance sheet are as follows

Movements in the present value of scheme liabilities are as follows

	2011	2010
	£000	£000
Present value of scheme liabilities at beginning of period	54,500	54,100
Current service cost	100	100
Interest cost	2,700	3,000
Actuarial gains	(800)	(600)
Benefits paid	(2,100)	(2,100)
Present value of scheme liabilities at end of period	<u>54,400</u>	<u>54,500</u>

Movements in the fair value of scheme assets are as follows

	2011	2010
	£000	£000
Fair value of scheme assets at beginning of period	45,400	40,500
Expected return on scheme assets	(2,900)	2,500
Actuarial losses / (gains)	(1,500)	3,400
Contributions paid by employer	1,800	1,100
Benefits paid	(2,100)	(2,100)
Fair value of scheme assets at end of period	<u>40,700</u>	<u>45,400</u>

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

	2011	2010	2009	2008	2007
Actual return less expected return on scheme assets	(1,500)	3,400	(3,200)	(6,400)	(1,700)
Percentage adjustments on scheme assets	-3.7%	7.5%	-7.9%	-14.9%	-3.6%
Experience adjustments on scheme liabilities	800	600	(4,100)	2,800	3,200
Percentage of scheme liabilities	1.5%	1.1%	7.6%	-5.7%	-6.2%
Total gain / (loss) recognised in STRGL	(700)	4,000	(7,300)	(3,600)	1,500
Percentage of scheme assets	1.3%	-7.3%	13.5%	7.3%	-2.9%

The expected contributions to the defined benefit scheme for the next financial year, beginning 21 August 2011 are £1.4m

Punch Taverns (PMH) Limited

Period ended 20 August 2011

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for the 52 week period ended 20 August 2011

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 2007, updated to 20 August 2011, 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:

	<u>2011</u>	<u>2010</u>
Male currently aged 50	22.9 years	22.8 years
Male currently aged 65	21.2 years	21.0 years
Female currently aged 50	25.1 years	25.3 years
Female currently aged 65	<u>23.3 years</u>	<u>23.6 years</u>

The assumptions used in determining the valuations are as follows:

	<u>2011</u>	<u>2010</u>
Rate of increase of salaries	4.65%	4.30%
Rate of increase in pensions	3.00%	2.90%
Discount rate	5.20%	5.10%
Inflation assumption (RPI)	3.65%	3.05%
Inflation assumption (CPI)	2.90%	-
Revaluation of deferred pensions	<u>2.65%</u>	<u>3.05%</u>

The assets in the scheme and expected rates of return were:

	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	Long-term rate of return expected at 22 August 2009	Value at 22 August 2009 £000
Equities	7.75%	25,400	7.75%	26,600	7.25%	23,500
Bonds	4.20%	19,400	4.30%	16,800	4.75%	14,700
Insured pensions	5.20%	1,500	5.10%	1,700	5.60%	2,000
Cash	4.00%	200	4.00%	300	4.00%	300
Total market value of assets		46,500		45,400		40,500
Present value of scheme liabilities		<u>(54,400)</u>		<u>(54,500)</u>		<u>(54,100)</u>
Deficit in the scheme before deferred tax		(7,900)		(9,100)		(13,600)
Deferred tax asset		<u>1,975</u>		<u>2,457</u>		<u>3,808</u>
Net pension liability		<u><u>(5,925)</u></u>		<u><u>(6,643)</u></u>		<u><u>(9,792)</u></u>

Punch Taverns (PMH) Limited
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21 SHARE CAPITAL

	2011	2011	2010	2010
	No	£000	No	£000
<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

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22 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share Capital £000	Hedge Reserve £000	Revaluation Reserve £000	Other Capital Reserves £000	Profit & Loss Account £000	Total Share- holders' Funds £000
At 22 August 2009	84,000	(7,154)	384,912	7,647	(97,199)	372,206
Total losses for the period	-	(8,798)	(74,330)	-	(4,727)	(87,855)
Transfers on disposal of fixed assets	-	-	(20,792)	-	20,792	-
Transfer from revaluation reserve to profit and loss account	-	-	51,570	-	(51,570)	-
At 21 August 2010	<u>84,000</u>	<u>(15,952)</u>	<u>341,360</u>	<u>7,647</u>	<u>(132,704)</u>	<u>284,351</u>
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	<u>84,000</u>	<u>(19,584)</u>	<u>215,215</u>	<u>7,647</u>	<u>(170,312)</u>	<u>116,966</u>
Company			Share Capital £000	Share Premium £000	Profit & Loss Account £000	Total Share- holders' Funds £000
At 20 August 2011, 21 August 2010 and 22 August 2009			<u>84,000</u>	<u>91,647</u>	-	<u>175,647</u>

Punch Taverns (PMH) Limited
Period ended 20 August 2011

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 20 August 2011

23 FINANCIAL COMMITMENTS

	2011	2010
	£000	£000
Contracted not provided	<u>3,056</u>	<u>4,882</u>

At 20 August 2011 the company had annual commitments under non-cancellable operating leases as set out below

Land and buildings

	2011	2010
	£000	£000
Operating leases which expire		
In less than one year	33	2
2 - 5 years	427	410
Over five years	<u>893</u>	<u>988</u>
	<u>1,353</u>	<u>1,400</u>

24 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.

25 POST BALANCE SHEET EVENTS

At 20 August 2011, no obligation exists for dividends declared after that date (Aug 2010 £nil)

26 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 20 August 2011

NOTES TO THE CASH FLOW STATEMENT
for the 52 week period ended 20 August 2011

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

	52 week period ended 20 August 2011 £000	52 week period ended 21 August 2010 £000
Operating profit	48,361	92,283
Depreciation and impairment of tangible fixed assets	81,541	20,919
Amortisation of negative goodwill	(981)	(981)
Decrease in debtors	1,022	7,584
Decrease in creditors	(5,421)	(13,442)
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>124,522</u>	<u>106,363</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	52 week period ended 20 August 2011 £000	52 week period ended 21 August 2010 £000
Decrease in cash in the period	(6,487)	(104,794)
Cash inflow from change in debt financing	58,149	205,787
Change in net debt resulting from cash flows	51,662	100,993
Other non cash movements in net debt	(37,713)	(50,226)
Change in net debt resulting from non cash flows	(37,713)	(50,226)
Movement in net debt	13,949	50,767
Net debt at beginning of period	(1,227,049)	(1,277,816)
Net debt at end of period	<u>(1,213,100)</u>	<u>(1,227,049)</u>

ANALYSIS OF CHANGES IN NET DEBT

	21 August 2010 £000	Cash flow £000	Other non- cash changes £000	20 August 2011 £000
Cash at bank and in hand	37,069	(6,487)	-	30,582
Loans owed to other companies in the Punch Taverns plc group	(199,483)	28,700	(30,631)	(201,414)
Other loans	(1,028,787)	29,449	(1,041)	(1,000,379)
Derivative financial instrument	(35,848)	-	(6,041)	(41,889)
	<u>(1,227,049)</u>	<u>51,662</u>	<u>(37,713)</u>	<u>(1,213,100)</u>