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PUNCH PARTNERSHIPS (PTL) LIMITED

UNAUDITED ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

PUNCH PARTNERSHIPS (PTL) LIMITED

CONTENTS

PUNCH PARTNERSHIPS (PTL) LIMITED

COMPANY INFORMATION

Directors	C J Moore L J W Mountstevens S M Paterson
Registered number	03512363
Registered office	Elsley Court 20-22 Great Titchfield Street London W1W 8BF United Kingdom

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their Strategic Report and the financial statements of Punch Partnerships (PTL) Limited ('the Company') for the year ended 31 December 2021. The Company is a wholly owned subsidiary of Punch Taverns Holdings Limited. The results of the Company are consolidated into the results of Heineken UK Limited and its subsidiary undertakings (together 'the Group').

BUSINESS REVIEW

The initial outbreak of COVID-19 during 2020 and the subsequent restrictive lockdowns had a significant impact on the UK trade and the 2020 and 2021 results. Trade was reopened in April 2021 with restrictions, and these were gradually lifted by late July 2021. Performance at the end of the year was impacted by supply chain challenges and the highly transmissible COVID-19 Omicron variant, which depressed consumer demand despite trade remaining open as no additional restrictions had been imposed. Our pubs estate recovered faster than the wider market, partly due to the estate having the right footprint (location and segment type).

Despite challenging trading conditions, the Company achieved turnover of £127,313k (2020: £109,582k) and gross profit of £91,118k (2020: £80,538k). After administrative expenses and other income, operating profit in the year amounted to £33,793k (2020: loss of £126,335k). The profit for the year after tax was £27,953k (2020: loss for the year of £112,344k). In 2020, the Company reported a loss principally due to the recognition of impairment totalling £136,388k, on tangible fixed assets, intangible assets and assets available for sale, within administrative expenses. In 2021, additional impairment of £754k (2020: £5,829k) was recognised on assets held for sale. Following an impairment review of the pub estate, the Directors concluded that there was no evidence to support further impairment of the pub estate, nor was there sufficient evidence of trade recovery to support any reversal of the impairment recognised in 2020.

The main assets of the Company are the properties, fixtures and fittings related to the Company's principal activity of the management of public houses and the supply of beer products to the public house estate in the United Kingdom (UK).

Key performance indicators (KPIs) are managed for the Group and each business segment. Management do not use any KPIs to monitor performance of the Company, other than the figures included in the Statement of Comprehensive Income and Statement of Financial Position.

The Directors do not recommend the payment of a dividend.

PRINCIPAL RISKS AND UNCERTAINTIES

Effective management of risk forms an integral part of how the Company operates as a business and is embedded in day-to-day operations. Responsibility for identifying potential strategic, operational, reporting and compliance risks, and for implementing fit-for-purpose responses, lies primarily with the Management Team. Risk management priorities are defined by regional and functional management and endorsed by the Directors, who bear ultimate responsibility for managing the main risks faced by the Company and for reviewing the adequacy of their internal control system.

An increasingly negative perception in society towards alcohol could prompt legislators to implement further restrictive measures such as limitations on availability, advertising, sponsorships, distribution and points of sale and increased tax. This may cause changes in consumption trends, which could lead to a decrease in the Company's sales.

Consumers' preferences and behaviours are evolving, shaping an increasingly complex and fragmented beer category. This requires the Group to constantly adapt its product offering, innovate and invest to maintain the relevance and strength of its brands.

Details of financial risk management, UK withdrawal from the European Union (EU), COVID-19 and the emerging risks following the pandemic are included in the following sections.

FINANCIAL RISK MANAGEMENT POLICY

The main risks associated with the Company's financial assets and liabilities are set out below.

Interest rate risk

Interest rate risk refers to the risk that changes in market rates will impact on the performance of the Company. The Company benefits from the management and monitoring of interest rate risk being undertaken at Group level.

Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its liabilities as they fall due. The Company benefits from the management of liquidity risk being undertaken at Group level. As a result of the COVID-19 pandemic, there is increased attention for and monitoring of risks associated with working capital that might impact liquidity. There are strong cost and cash management procedures in place, including controls over investment proposals. The Company receives support from other Group companies under common control and liquidity risk is deemed limited.

UK WITHDRAWAL FROM THE EU

The UK formally exited the EU on 31 January 2020 and entered a transition period until 31 December 2020. The Group formally considered the risk of the UK withdrawal from the EU through establishing a Brexit Risk Cabinet in 2018 and actively stress testing our UK operations, focusing on the end to end movement of goods. The vast majority of our cider and beer is already produced and sold in the UK. Investment over the past five years in improving and expanding our UK breweries has meant that we are less reliant on imports and have robust UK production capabilities. Contingency plans were put in place to maintain business continuity in case of disruption caused by the transition period ending on 31 December 2020. As discussed in the COVID-19 section below, the business has experienced supply chain challenges, the issue resulted from a number of factors, including driver shortages as a result of Brexit. Following the transition, the actualised risk of Brexit is limited and we have not experienced any material impact on our ability to trade.

COVID-19 AND EMERGING RISKS FOLLOWING THE PANDEMIC

The COVID-19 pandemic and its impact on British society and the UK economy has been unprecedented. It has required the Group to demonstrate resilience and adaptability in the face of considerable challenge and uncertainty. The Group entered into this period of uncertainty with a strong market position. We have managed the situation as it has developed taking a number of mitigating actions to allow the business to face this unprecedented crisis in the best possible way, and to protect the long-term potential of our business.

Along with our other pub businesses within the Group, the Company worked with its pub estate to ensure the safe and secure closure of pubs and the management of their businesses through the restrictions. This included helping licensees access government support, but also providing pubs with cashflow relief through rent concessions and suspensions and practical advice through its bespoke website – the Pub Collective. During the year, rent concessions of £14,068k (2020: £19,988k) were granted by the Company. As restrictions eased, the Group have aided licensees in the disposal of out-of-date stock, the replenishment of new stock and the implementation of safe working practices as outlined by government.

As noted above, during the year the Group experienced a shortage of labour resources impacting the supply chain. This was a sector wide issue resulting from a number of factors, including driver shortages as a result of Brexit, COVID-19 restrictions, unprecedented demand for goods and supply chain challenges with our logistics partners. Management implemented a number of initiatives, including holding buffer stocks and re-negotiation of some commercial terms with our logistics partners, that provided more stability across our end to end supply chain and improved the customer experience. Consumer confidence remained low throughout January 2022 as a result of the Omicron variant, but returned as we progressed through the first quarter of the year.

COVID-19 AND EMERGING RISKS FOLLOWING THE PANDEMIC (CONTINUED)

Supply chains are yet to normalise following COVID-19 restrictions and recent world events, there are increasing inflationary pressures particularly in the energy market. Inflation levels have led to input cost pressures as well as impacting consumer confidence, due to cost of living challenges. On a day-to-day basis these challenges continue to be monitored and we are working closely with our customers and suppliers, including pub retailers, to maintain continuity of supply by understanding consumer demand levels and to reduce input costs through an ongoing process of review and reduction where possible. The Group remains committed to investing in its pub estate and brands in order to grow the business. Further information on performance is included in the consolidated financial statements of Heineken UK Limited, which can be obtained as set out in note 22.

ENERGY AND CARBON REPORTING

The Company is an indirect subsidiary undertaking of Heineken UK Limited. The emission information for the Group is reported in Heineken UK Limited financial statements under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the '2018 Regulations'). The Group financial statements can be obtained from the Company Secretary, Heineken UK Limited, 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ, United Kingdom, which is also its registered office.

This report was approved by the Board on 24 August 2022 and signed on its behalf by:

DocuSigned by:
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S M Paterson
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their annual report and the financial statements of Punch Partnerships (PTL) Limited ('the Company') for the year ended 31 December 2021.

PRINCIPAL ACTIVITY

The principal activity of the Company is the rental and management of public houses, which are utilised in the *supply of goods by fellow Group undertakings.*

DIRECTORS

The Directors who served during the year and up to the date of approval of the report were:

C J Moore
L J W Mountstevens
S M Paterson

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company made no political contributions or donations to UK charities during the year (2020: £nil).

RESULTS AND DIVIDENDS

Profit for the year, after tax, amounted to £27,953k (2020: loss of £112,344k). A business review is presented in the Strategic Report on page 2 and forms a part of this report by cross reference.

During the year and after year end, no dividends were paid or proposed (2020: £nil).

MATTERS INCLUDED IN THE STRATEGIC REPORT

Details of financial risk management and principal risks are discussed in the Strategic Report on pages 2-4 and form part of this report by cross-reference.

FUTURE DEVELOPMENTS

The Company expects to continue its principal activity of the rental and management of public houses for the foreseeable future.

GOING CONCERN

The financial position of the Company is set out in the Statement of Financial Position on pages 9-10 of the financial statements. The Company has net current liabilities of £831,369k at 31 December 2021 (2020: £845,205k). Funding amounts owed to other Group companies of £825,317k (2020: £857,591k) are reported as current liabilities in absence of unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. These amounts are owing to companies under common control and will not be recalled within 12 months without prior consideration of the Company's liquidity position.

Having reviewed the UK operating company's forecasts, projections and other relevant evidence including external industry judgement, the Directors have a reasonable expectation that the Group and therefore the Company, will continue in operational existence for the foreseeable future.

As disclosed in the consolidated financial statements of Heineken UK Limited, the outstanding liabilities at 31 December 2021 of the Company have been guaranteed by Heineken UK Limited.

Accordingly, the financial statements of the Company have been prepared on a going concern basis and we note that there are no material uncertainties in arriving at this conclusion.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Company has made qualifying third party indemnity provisions for the benefit of its Directors (which extend to the performance of any duties as a director of any associated company) and these remain in force at the date of this report.

EXEMPTION FROM AUDIT

For the year ended 31 December 2021 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476. The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and preparation of accounts.

This report was approved by the Board on 24 August 2022 and signed on its behalf by:

DocuSigned by:
45C43B4ACA7D4B3

S M Paterson
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors are responsible for preparing the annual 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 the Directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including Financial Reporting Standard 101 *'Reduced Disclosure Framework'. 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for *the prevention and detection of fraud and other irregularities.*

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PUNCH PARTNERSHIPS (PTL) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Turnover	4	**127,313**	109,582
Cost of sales		**(36,195)**	(29,044)
Gross profit		**91,118**	80,538
Administrative expenses		**(60,589)**	(206,873)
Other operating income		**3,264**	-
Operating profit/(loss)	5	**33,793**	(126,335)
Interest receivable and similar income	8	**516**	147
Interest payable and similar expenses	9	**(1,628)**	(4,124)
Profit/(loss) before tax		**32,681**	(130,312)
Tax on profit/(loss)	10	**(4,728)**	17,968
Profit/(loss) for the financial year and total comprehensive income/(expense)		**27,953**	(112,344)

All amounts relate to continued operations.

The notes on pages 12 to 33 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

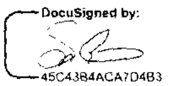
	Note	2021 £000	2020 £000
Fixed assets			
Intangible fixed assets	11	**16,842**	17,414
Tangible fixed assets	12	**900,588**	896,893
Debtors: amounts falling due after more than one year	14	**453,967**	445,466
		1,371,397	1,359,773
Current assets			
Debtors: amounts falling due within one year	14	**76,219**	63,478
Assets held for sale	15	**2,369**	5,935
Cash at bank and in hand		**1,545**	200
		80,133	69,613
Total Assets		**1,451,530**	1,429,386
Current liabilities			
Creditors: amounts falling due within one year	16	**(911,502)**	(914,818)
Net current liabilities		**(831,369)**	(845,205)
Total assets less current liabilities		**540,028**	514,568
Non-current liabilities			
Creditors: amounts falling due after more than one year	16	**(12,100)**	(12,653)
Provisions for liabilities	18	**(662)**	(2,602)
Net assets		**527,266**	499,313
Capital and reserves			
Called-up share capital	19	**1,001**	1,001
Share premium account	20	**324,502**	324,502
Profit and loss account	20	**201,763**	173,810
Total equity		**527,266**	499,313

PUNCH PARTNERSHIPS (PTL) LIMITED
REGISTERED NUMBER: 03512363

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

For the year ended 31 December 2021 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476. The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and preparation of accounts.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 24 August 2022 by:



S M Paterson
Director

The notes on pages 12 to 33 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called-up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2020	1,001	324,502	286,154	611,657
Loss for the financial year and total comprehensive expense	-	-	(112,344)	(112,344)
At 31 December 2020	1,001	324,502	173,810	499,313

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called-up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2021	**1,001**	**324,502**	**173,810**	**499,313**
Profit for the financial year and total comprehensive income	-	-	**27,953**	**27,953**
At 31 December 2021	**1,001**	**324,502**	**201,763**	**527,266**

The notes on pages 12 to 33 form part of these financial statements.

1. GENERAL INFORMATION

Punch Partnerships (PTL) Limited ('the Company') is engaged in the rental and management of public houses, which are utilised in the supply of goods by fellow Group undertakings. The Company is a private company limited by shares and is incorporated in the UK under the Companies Act 2006 and registered in England and Wales. The address of its registered office is Elsley Court, 20-22 Great Titchfield Street, London W1W 8BE, United Kingdom.

These financial statements are presented in pounds sterling, which is the Company's functional and presentational currency, and all values are rounded to the nearest thousand except where otherwise indicated.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements under section 400 of the Companies Act 2006, because its results are included in the consolidated financial statements of Heineken UK Limited. The financial statements are available to the public and can be obtained as set out in note 22.

Adoption of new and revised standards

New and amended standards that are effective for the current year

The Company has adopted the following new International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations and amendments to existing standards, which are effective by UK endorsement for annual periods beginning on or after 1 January 2021.

Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

Impact of the initial application of Interest Rate Benchmark Reform

In 2019, the Group adopted the Phase 1 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments are concerned with interest rate reform of hedging instruments. As the Company has no hedging instruments, Phase 1 has had no impact.

In 2020, the Company adopted the Phase 2 amendments, Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Company to reflect the effects of transitioning from interbank offered rates to alternative benchmark interest rates (also referred to as 'risk free rates') without giving rise to accounting impacts that would not provide useful information to users of financial statements.

As a result of the Phase 2 amendments, the Group transitioned away from using the London Inter-Bank Offered Rate (LIBOR), selecting the Sterling Overnight Index Average (SONIA) as an alternative benchmark rate. SONIA is administered by the Bank of England and reflects the average interest rate that banks pay to borrow sterling overnight from other financial institutions and investors.

Effective from 2020, it was agreed that the interest rate on Sterling denominated intercompany loans should equal the average SONIA , representing the risk free benchmark rate, plus a margin determined by management.

Risks arising from the interest rate benchmark reform

LIBORs are forward-looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread. Alternative benchmark rates, such as SONIA, are risk-free overnight rates published at the end of the overnight period with no embedded credit spread. Consequently, SONIA is considered a more robust alternative to LIBOR because it is anchored in liquid underlying markets and is a better measure of the general level of interest rates.

The Company has transitioned to using alternative benchmark rates as outlined in this policy, further information is outlined in notes 14 and 16. The adoption of the standard has not had a material impact on the disclosures or on the amounts reported in these financial statements.

1. GENERAL INFORMATION (CONTINUED)

Adoption of new and revised standards (continued)
New and amended standards that are mandatorily effective for the current year (continued)

Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16

As the Company has not received rent concessions from landlords, the Directors have concluded that the new standard has had no impact.

2. ACCOUNTING POLICIES

2.1. Basis of preparation of financial statements

The Company meets the definition of a qualifying entity under Financial Reporting Standard (FRS) 100 *issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared* in accordance with FRS 101 'Reduced Disclosure Framework'. The Company's results are included in the Group financial statements of Heineken UK Limited as disclosed in note 1.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The disclosure exemptions from IFRS 7 'Financial Instruments: Disclosures'.
- The disclosure exemptions from IFRS 13 'Fair Value Measurement' to the extent that they apply to financial instruments.
- The disclosure exemptions from paragraphs 30 and 31 of IAS 8 'Accounting Policies, changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- The requirements of IAS 7 'Statement of Cash Flows'.
- The disclosure exemption of paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
  - Paragraph 79(a)(iv) of IAS 1, reconciliation of number of shares outstanding at start and end of the prior period;
  - Paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
  - Paragraph 118(e) of IAS 38, 'Intangible assets'.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) ('Statement of Cash Flows');
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B - D (additional comparative information);
  - 111 (statement of cash flows information); and
  - 134 - 136 (capital management disclosures).
- The disclosure exemptions from IAS 36 'Impairment of Assets'.
- The requirements of paragraphs 17 and 18A of IAS 24 'Related party disclosures'.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers'.
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'.

2. ACCOUNTING POLICIES (CONTINUED)

2.1. Basis of preparation of financial statements (continued)

The financial statements have been prepared on a going concern basis, based on the historical cost convention. Historical cost is generally based on fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.
In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

2.2. Going concern

The financial position of the Company is set out in the Statement of Financial Position on pages 9-10 of the financial statements. The Company has net current liabilities of £831,369k at 31 December 2021 (2020: £845,205k). Funding amounts owed to other Group companies of £825,317k (2020: £857,591k) are reported as current liabilities in absence of unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. These amounts are owing to companies under common control and will not be recalled within 12 months without prior consideration of the Company's liquidity position.

Having reviewed the UK operating company's forecasts, projections and other relevant evidence including external industry judgement, the Directors have a reasonable expectation that the Group and therefore the Company, will continue in operational existence for the foreseeable future.

As disclosed in the consolidated financial statements of Heineken UK Limited, the outstanding liabilities at 31 December 2021 of the Company have been guaranteed by Heineken UK Limited.

Accordingly, the financial statements of the Company have been prepared on a going concern basis and we note that there are no material uncertainties in arriving at this conclusion.

2. ACCOUNTING POLICIES (CONTINUED)

2.3. Turnover

Turnover is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before turnover is recognised.

Sale of goods

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer, usually on delivery of the goods.

Rendering of services

Turnover from the management of public houses is recognised following the performance of the service.

2.4. Intangible fixed assets

Intangible fixed assets are initially recognised at cost. After initial recognition, under cost model, intangible fixed assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation in the year is recognised within administrative expenses in the Statement of Comprehensive Income.

Lease premium

These intangible fixed assets are amortised on a straight-line basis over their expected useful life, which depends on the length of underlying headlease contract.

2.5. Tangible fixed assets

Tangible fixed assets are carried at cost, less accumulated depreciation and any provision for impairment. Cost comprises the initial purchase price and expenditures that are directly attributable to the acquisition of the asset.

Depreciation is calculated on a straight-line basis over the estimated useful economic life of the asset as follows:

- Freehold property is not depreciated
- Buildings are depreciated to their estimated residual values over 40 years*
- Fixtures and fittings are depreciated to their estimated residual values over 5 years*

*Buildings and related assets held on lease are depreciated over the shorter of their useful economic life or the unexpired term of the lease.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The carrying values of tangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. Any such impairment is charged to the Statement of Comprehensive Income.

Gains and losses on disposal of fixed assets reflect the difference between net selling price and the carrying amount at the date of disposal and are recognised in the Statement of Comprehensive Income.

The Company determined that the tangible fixed assets did not meet the definition of an investment property and therefore are treated and discussed as tangible fixed assets in the financial statements. The principal reason for holding the tangible fixed assets is to generate Beer and Cider sales and not for long term investment gains.

2. ACCOUNTING POLICIES (CONTINUED)

2.6. Impairment of tangible and intangible fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit (CGU)) to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.7. Assets held for sale

Tangible and intangible fixed assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.8. Debtors

Debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9. Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

These investments are subject to impairment as follows:

At each Statement of Financial Position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Comprehensive Income, within administrative expenses, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter, any excess is recognised in the Statement of Comprehensive Income.

2. *ACCOUNTING POLICIES (CONTINUED)*

2.9. Investments (continued)

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income, within operating income.

2.10. Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to *customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset.*

They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Cash at bank and in hand

Cash is represented by cash and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Other financial liabilities

The Company classifies all of its other financial liabilities as liabilities at amortised cost.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of Financial Position.

2. ACCOUNTING POLICIES (CONTINUED)

2.11. Creditors

Creditors represent obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12. Interest receivable and payable

Interest receivable and payable is recognised in the Statement of Comprehensive Income using the effective interest method.

2.13. Management charges

Management charges are included within administrative expenses, which are recognised in the Statement of Comprehensive Income. Management charges are expenses incurred by the Company in respect of services received from other Group undertakings. These amounts are recognised as the related services are received.

2.14. Provisions for liabilities

Provisions are recognised where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.15. Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

2. ACCOUNTING POLICIES (CONTINUED)

2.15. Current and deferred tax (continued)

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2.16. Leases

Definition of a lease

A contract is or contains a lease if it provides the right to control the use of an identified asset for a period of time in exchange for an amount payable to the lessor. The right to control the use of the identified asset exists when having the right to obtain substantially all of the economic benefits from use of that asset and when having the right to direct the use of that asset.

The Company as a lessee

At the start date of the lease, the Company (lessee) recognises a right of use (ROU) asset and a lease liability on the Statement of Financial Position. The ROU asset is initially measured at cost and *subsequently at cost less accumulated depreciation and impairment losses and adjusted for certain* remeasurements of the lease liability.

The Company applies the following practical expedients for the recognition of leases:

- The short-term lease exemption, meaning that leases with a duration of less than a year are expensed in the income statement on a straight-line basis.
- The low value lease exemption, meaning that leased assets with an individual value of €5k (£4.2k) or less if bought new, are expensed in the income statement on a straight-line basis.

Lease liabilities are measured at the present value of the lease payments to be paid during the lease term, discounted using the incremental borrowing rate (IBR). Lease liabilities are subsequently increased by the interest cost on the lease liabilities and decreased by lease payments made. The lease liabilities will be remeasured when there is a change in the amount to be paid (e.g. due to indexation) or when there is a change in the assessment of the lease terms.

The IBR is determined on the term of the lease. The IBR is calculated based on the risk free rate plus a default spread and a credit spread.

The lease term is determined as the non-cancellable period of a lease, together with:

- Periods covered by a unilateral option to extend the lease if the Company is reasonably certain to make use of that option.
- Periods covered by an option to terminate the lease if the Company is reasonably certain not to make use of that option.

The Company applies the following practical expedients for the recognition of leases:

Apply a single discount rate per country to a portfolio of leases with reasonably similar characteristics.

2. ACCOUNTING POLICIES (CONTINUED)

2.16. Leases (*continued*)

The Company as a lessor

A lease is classified as a finance lease when it transfers substantially all the risks and rewards relating to ownership of the underlying asset to the lessee. For contracts where the Company acts as an intermediate lessor, the subleases are classified with reference to the ROU asset.

The lease receivables are initially measured at fair value and subsequently at amortised cost minus any impairment losses.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires the Company to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Key sources of estimation uncertainty

The Directors believe the following to be the key area of estimation uncertainty:

- Impairment and impairment reversal of intangible and tangible fixed assets

  At each reporting date, the Group reviews the carrying amounts of its intangible and tangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

  Assets or CGUs that have previously been impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in the prior periods may no longer exist or may have decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

  An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

  Further detail on the estimation uncertainty and considerations for reversal of impairment are outlined in note 12.

Critical judgements in applying the Company's accounting policies

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of turnover and expenses during the reporting period. Estimates and judgements are continually made and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying the Company's accounting policies (continued)

The Directors believe the following to be the key area of judgements:

- Onerous Lease Provision

  Provisions for onerous contracts are recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected costs of terminating the contract and the expected net costs of fulfilling the contract.

- Lease term and incremental borrowing rate

  Significant judgement is required to determine the lease term and the incremental borrowing rate. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which as a result could affect the amount of lease liabilities and ROU assets recognised.

  The assumptions used in the determination of the incremental borrowing rate could impact the rate used in discounting future payments, which as a result could have an impact on the amount of lease liabilities recognised.

4. TURNOVER

	2021 £000	2020 £000
Sale of goods	**80,388**	60,282
Rendering of services	**44,581**	47,188
Other revenue	**2,344**	2,112
	127,313	109,582

All turnover is attributable to the principal activity of the Company and arose within the UK.

5. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging/(crediting):	2021 £000	2020 £000
Distribution costs	**6,017**	4,269
Depreciation and impairment losses of tangible fixed assets and assets held for sale (notes 12 and 15)	**11,787**	151,969
Amortisation and impairment losses of intangible fixed assets and assets held for sale (notes 11 and 15)	**491**	2,517
Management charges	**28,029**	25,872
(Gain)/loss on disposal of tangible fixed assets	**(3,264)**	5,578

Management charges consist of charges from Group undertakings relating to staff costs and other services.

6. AUDITOR'S REMUNERATION

The Company was entitled to exemption from audit under section 479A of the Companies Act 2006 and therefore incurred no audit fees in 2021 (2020: £nil). No non-audit services were provided to the Company in the current and prior year.

7. EMPLOYEES

The Company has no employees (2020: none). Directors' remuneration is borne by Heineken UK Limited, the principal employer of the Group, in both the current and prior year.

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021	2020
	£000	£000
Interest receivable from Group undertakings	**416**	54
Interests on lease receivable	**90**	79
Other interest receivable	**10**	14
	516	147

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021	2020
	£000	£000
Interest payable to Group companies	**1,230**	3,692
Interest on lease liabilities	**391**	415
Bank interest payable	**7**	7
Other interest payable	**-**	10
	1,628	4,124

10. TAX ON PROFIT/(LOSS)

	2021	2020
	£000	£000
Deferred tax		
Current year	**8,312**	(19,395)
Adjustments in respect of prior periods	**(75)**	620
Effect of changes in tax rates	**(3,509)**	807
Total deferred tax	**4,728**	(17,968)
Tax on profit/(loss)	**4,728**	(17,968)

10. TAX ON PROFIT/(LOSS) (CONTINUED)

FACTORS AFFECTING TAX CHARGE/(CREDIT) FOR THE YEAR

The effective tax rate of 14.47% (2020: 13.79%) for the year is lower (2020: lower) than the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%) as set out below:

	2021 £000	2020 £000
Profit/(loss) before tax	**32,681**	(130,312)
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	**6,209**	(24,759)
EFFECTS OF:		
Fixed assets differences	**(470)**	8,295
Additional deduction for land remediation expenditure	**(21)**	(28)
Expenses not deductible for tax purpose	**282**	6
Group relief surrendered/(claimed)	**335**	(3,366)
Transfer pricing adjustments	**-**	384
Tax rate changes	**(1,532)**	880
Adjustments in respect of prior periods	**(75)**	620
TOTAL TAX CHARGE/(CREDIT) FOR THE YEAR	**4,728**	(17,968)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 during the year and these changes are reflected within the tax figures. This included an increase to the main rate of corporation tax to 25.00% from 1 April 2023 and this is the rate that has been used to calculate deferred tax at the year-end. The Finance Act 2022 that received Royal Assent on 24 February 2022 will have no impact on the corporation tax figures.

11. INTANGIBLE FIXED ASSETS

	Lease premium £000
Cost or valuation	
As at 1 January 2021	20,913
Transfer to assets held for sale (note 15)	(127)
As at 31 December 2021	**20,786**
Accumulated amortisation and impairment losses	
As at 1 January 2021	3,499
Charge for the period	454
Transfer to assets held for sale (note 15)	(9)
As at 31 December 2021	**3,944**
Net book value	
As at 31 December 2021	**16,842**
As at 31 December 2020	17,414

12. TANGIBLE FIXED ASSETS

Freehold property, buildings and fixtures and fittings are tangible fixed assets that are owned by the Company, while ROU assets are under a lease agreement. Owned and ROU assets are held for use in the Company's operating activities.

	2021	2020
	£000	£000
Freehold property, buildings and fixtures and fittings	**889,711**	885,991
ROU assets	**10,877**	10,902
Tangible fixed assets	**900,588**	896,893

	Freehold property, buildings, fixtures and fittings
	£000
Cost or valuation	
As at 1 January 2021	1,059,866
Additions	19,519
Disposals	(4,409)
Transfer to assets held for sale (note 15)	(3,717)
As at 31 December 2021	**1,071,259**
Accumulated depreciation and impairment losses	
As at 1 January 2021	173,875
Charge for the period	10,567
Disposals	(2,119)
Transfer to assets held for sale (note 15)	(775)
As at 31 December 2021	**181,548**
Net book value	
As at 31 December 2021	**889,711**
As at 31 December 2020	885,991

All assets are leased out with the exception of a small number of properties currently vacant.

The initial outbreak of COVID-19 during 2020 and the restrictive lockdowns put in place by the UK government had a significant impact on the UK on trade and the 2020 and 2021 results of the owned pub estate. Following the impairment test in 2020, impairment losses of £128,598k on owned tangible fixed assets, £1,961k on intangibles and £5,829k relating to assets held for sale were recorded in 2020.

Trade reopened in April 2021 with restrictions, and these were gradually lifted over the months to late July 2021. The trade was quickly re-established with pub estate volumes in the latter half of 2021 being 83.00% of Annual Plan 2021 despite the significant impact of supply chain constraints during that period. The new Omicron variant caused a rise in the number of cases, however, the trade and pubs remained open as no additional restrictions had been imposed.

12. TANGIBLE FIXED ASSETS (CONTINUED)

The Directors concluded that there was no trigger for impairment in 2021 and it is too early to reverse any or all of the impairment booked last year given that there has not been a significant period of full trade and the impact of a rise in the number of cases is uncertain. The Directors conduct ongoing monitoring of business plans, including levels of capital expenditure, and will assess the appropriateness of additional impairment or impairment reversal in 2022 with regard to pubs achieving these plans and any other triggers. Given impairment is assessed at the individual pub level, there is no one individual assumption that is likely to cause a material impairment reversal in the next financial period, as any reversal would be driven by the cash flows forecast for the individual pub.

ROU assets

	2021	2020
	£000	£000
Land and buildings	**10,877**	10,902
Carrying amount of ROU assets as at 31 December	**10,877**	10,902

An additional amount of £17k (2020: £356k) was recognised during the year as ROU assets as a result of entering into new lease contracts.

Total cash outflow for leases in 2021 was £1,421k (2020: £1,168k).

Interest income and expense on lease receivables and liabilities is disclosed in notes 8 and 9 of the financial statements, respectively. The Company has short term leases which have been expensed in the period or committed at the reporting date for the amount of £8k (2020: £nil). Variable lease payments of £650k (2020: £574k) are included in the measurement of the lease liability, as stated in the contract. The Company does not have any low value leases.

All future cash flows are reflected in the lease liability and disclosed in note 16 to the financial statements.

The depreciation of ROU assets during the financial year was as follows:

	2021	2020
	£000	£000
Land and buildings	**(503)**	(506)
Depreciation for ROU assets for the year ended 31 December	**(503)**	(506)

The Company has changed the presentation of the ROU assets depreciation. Previously accumulated amounts were disclosed, while currently only amounts charged in a given year are disclosed for a clearer presentation.

PUNCH PARTNERSHIPS (PTL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. INVESTMENTS

	Investments in subsidiary companies
	£000
Cost	
As at 1 January 2021	84,200
Write-off of investments	(84,200)
As at 31 December 2021	-
Accumulated impairment	
As at 1 January 2021	84,200
Write-off of investments	(84,200)
As at 31 December 2021	-
Net book value	
As at 31 December 2021	-
As at 31 December 2020	-

DIRECT SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Country of incorporation/ Principal place of business	Class of shares	Holding
Agnew Stores (Holdings) Limited (1) A C	Scotland	Ordinary	100.00%
BK Investments Limited (2) A C	England & Wales	Ordinary	100.00%
Inn Business Property Limited (2) A C	England & Wales	Ordinary	100.00%
Punch Taverns (PR) Limited (2) B C	England & Wales	Ordinary	100.00%
Punch Taverns (VPR) Limited (2) B C	England & Wales	Ordinary	100.00%
Tetley Walker Limited (2) B C	England & Wales	Ordinary	100.00%
Tolchard and Son Limited (2) B C	England & Wales	Ordinary	100.00%

The Company had a 100.00% direct interest in the below subsidiary companies, which were dissolved in 2021:
- Punch Taverns (Fradley) Limited
- Punch Taverns (IB) Limited.

The Company had a 100.00% indirect interest in the below subsidiary companies, which were dissolved in 2021:
- Marr Holdings Limited
- Marr Taverns Limited.

13. INVESTMENTS (CONTINUED)

As part of an ongoing project to simplify the Group corporate structure a number of transactions during the year and subsequent to the reporting date have been approved:

A The subsidiary was dissolved during 2022.

B The capital of the subsidiary was reduced to a de-minimis amount during 2021.

C The company became a direct subsidiary undertaking in 2021.

Registered address of investments:

(1) Registered address of 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ

(2) Registered address of Elsley Court, 20-22 Great Titchfield Street, London, W1W 8BE

14. DEBTORS

	2021	2020
	£000	£000
Amounts due after more than one year		
Deferred tax asset	**6,384**	11,112
Long term prepayments and accrued income	**10,551**	6,983
Finance lease receivables	**2,844**	3,368
Lease receivable allowance for credit losses	**(17)**	(117)
Funding amounts owed by direct and intermediate parent undertakings	**434,205**	424,120
	453,967	445,466

	2021	2020
	£000	£000
Amounts due within one year		
Trade debtors	**10,462**	7,537
Trade amounts owed by intermediate parent undertaking and its subsidiaries	**59,849**	51,449
Short term lease receivable	**349**	328
Lease receivable allowance for credit losses	**-**	(9)
Other debtors	**17**	49
Short term prepayments and accrued income	**5,542**	4,124
	76,219	63,478

Amounts falling due after more than one year were expected to be utilised on a continuing basis.

Funding amounts owed by direct and intermediate parent undertakings are unsecured. An annual interest rate of 0.10% (2020: 0.24%) plus average SONIA was charged on outstanding balances per annum. All loans with group companies were recorded at their fair value. No interest was charged on balances considered of a trading nature.

14. DEBTORS (CONTINUED)

Finance Lease Receivables

The Company entered into finance lease arrangements as a lessor of public houses. The average outstanding term of the finance lease receivables, including the short term portion of lease receivables, is 8 years (2020: 7 years). No new lease arrangements were entered into during 2021. The Company is not exposed to foreign currency risk as a result of the lease arrangements as all leases are dominated in functional currency. Residual value risk on property under lease is not significant due to the existence of a secondary market on rental property.

The average effective interest rate contracted approximates 3.24% (2020: 3.24%).

None of the finance lease receivables are past due at the reporting date. Taking into account the historical default experience and the future prospects of the pub industry in which the lessees operate, together with the value of collateral held over these finance lease receivables, the Directors of the Company consider that no finance lease receivable is impaired.

Finance income on the present value of the lease receivable is included within interest on lease receivable as disclosed in note 8.

	2021	2020
	£000	£000
Amounts receivables under finance lease		
Less than 1 year	**606**	2,671
Between 1 and 5 years	**1,509**	1,006
Greater than 5 years	**1,708**	930
Undiscounted lease payments	**3,823**	4,607
Less unearned finance income	**630**	911
Present value of lease payments receivables	**3,193**	3,696
Lease receivable allowance for credit losses	**(17)**	(126)
Net investment in the lease	**3,176**	3,570

Undiscounted lease payments analysed as:

	2021	2020
	£000	£000
Recoverable after 12 months	**3,217**	1,936
Recoverable within 12 months	**606**	2,671

Net investment in the lease analysed as:

	2021	2020
	£000	£000
Recoverable after 12 months	**2,827**	3,251
Recoverable within 12 months	**349**	319

15. ASSETS HELD FOR SALE

	£000
Cost or valuation	
As at 1 January 2021	12,216
Disposals	(11,605)
Transfer from tangible fixed assets	3,717
Transfer from intangible fixed assets	127
As at 31 December 2021	**4,455**
Accumulated depreciation, amortisation and impairment losses	
As at 1 January 2021	6,281
Impairment losses	754
Disposals	(5,733)
Transfer from tangible fixed assets	775
Transfer from intangible fixed assets	9
As at 31 December 2021	**2,086**
Net book value	
As at 31 December 2021	**2,369**
As at 31 December 2020	5,935

Pubs identified as held for sale were impaired to the lower of carrying amount and fair value less costs to sell. This resulted in impairment loss on tangible and intangible fixed assets of £37k (2020: £21k) and £717k (2020: £5,808k) respectively. The impairment losses were charged to the line administrative expenses in the Statement of Comprehensive Income. The remaining pubs were not impaired as the expected proceeds exceeded the carrying amounts. Further details on impairment losses are recognised in note 12.

16. CREDITORS

	2021	2020
	£000	£000
Amounts falling due within one year		
Trade creditors	**3,062**	1,455
Funding amounts owed to intermediate parent undertakings and their subsidiary	**825,317**	857,591
Trade amounts owed to intermediate parent undertakings and their subsidiaries	**55,034**	29,581
Other creditors	**12,974**	11,147
Accruals and deferred income	**5,743**	3,684
Social securities and other taxes	**8,363**	10,290
Lease liabilities	**1,009**	1,070
	911,502	914,818

16. CREDITORS (CONTINUED)

	2021	2020
	£000	£000
Amounts falling due after more than one year		
Lease liabilities	**12,100**	12,653
	12,100	12,653

Funding amounts owed to intermediate parent undertakings and their subsidiary are unsecured. An annual interest rate of 0.10% (2020: 0.24%) plus average SONIA was charged on outstanding balances per annum. All loans with group companies were recorded at their fair value. No interest was charged on balances considered of a trading nature.

Analysis of lease liabilities and maturity of contractual cash flows of lease liabilities:

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
	£000	£000	£000	£000	£000
Lease liabilities	13,109	21,166	1,399	3,696	16,071
Total 2021	**13,109**	**21,166**	**1,399**	**3,696**	**16,071**
Total 2020	13,723	21,624	1,395	4,289	15,940

17. DEFERRED TAX

	Deferred tax
	£000
At 1 January 2020	(6,856)
Credited to the Statement of Comprehensive Income	18,588
Adjustments in respect of prior years	(620)
At 31 December 2020	11,112

	Deferred tax
	£000
At 1 January 2021	**11,112**
Charged to the Statement of Comprehensive Income	**(4,803)**
Adjustments in respect of prior years	**75**
At 31 December 2021	**6,384**

17. DEFERRED TAX (CONTINUED)

The deferred tax asset is made up as follows:

	2021 £000	2020 £000
Accelerated capital allowances	**(41,488)**	(28,341)
Trading losses	**8,118**	6,169
Other timing differences	**39,754**	33,284
	6,384	11,112

Deferred tax of £28,914k (2020: £21,974k) on capital losses of £115,654k (2020: £115,654k) has not been recognised as it is uncertain that there will be capital profits in the future. Capital losses can be carried forward indefinitely.

18. PROVISIONS FOR LIABILITIES

	Onerous leases £000	Insurance claims £000	Other provision £000	Total £000
As at 1 January 2021	958	387	1,257	2,602
Provision created	745	80	-	825
Provision released	(1,050)	(81)	(671)	(1,802)
Provision utilised	-	(377)	(586)	(963)
At 31 December 2021	653	9	-	662

Onerous leases

The provision is measured at the present value of the lower of the expected cost of terminating the contract, and the expected net cost of continuing with the contract. The latter takes into consideration any reasonably obtainable sub-leases for onerous lease contracts.

Insurance claims

Insurance claims raised against the Company are generally managed by a claims specialist company. These claims comprise property, public liability and employer's liability claims arising from incidents occurring across the properties owned by the Company. Examples are fire, water, disease, injury, slip/trip/fall claims.

Other provision

Under the normal course of business, the Company does not have a returns policy and does not hold a provision for returned stock. In 2020, following the impact of COVID-19 pandemic and the restrictions put in place by the Government, pubs and On-trade venues were required to close. The Company agreed and communicated to customers that they could return their stock and receive a credit. Management agreed a provision value based on the worst case scenario of no pubs trading over a certain trading period. The provision was recognised in the Statement of Financial Position and was released in 2021 following processing of the stock returns, with no provision remaining at the reporting date.

19. CALLED-UP SHARE CAPITAL

	2021 £000	2020 £000
Authorised, allotted, called up and fully paid		
1,001,403 (2020: 1,001,403) Ordinary shares of £1 (2020: £1) each	**1,001**	1,001

20. RESERVES

Profit and loss account

The profit and loss account represents the accumulated profits, losses and distributions of the Company.

Share premium account

The share premium account represents the amounts subscribed for share capital in excess of the nominal value.

21. OPERATING LEASE RECEIVABLES

As per introduction of IFRS 16 finance lease receivables are reported under debtors (note 14).

Operating lease arrangements in which the Company is the lessor relate to property owned and leased by the Company and income is received through the Statement of Comprehensive Income. Operating lease terms range from 1 month to 15 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

At 31 December 2021, the Company had future minimum lease income under non-cancellable operating leases as follows:

	2021 £000	2020 £000
Not later than 1 year	**33,709**	36,132
Later than 1 year and not later than 5 years	**84,121**	90,248
Later than 5 years	**91,843**	97,833
Total	**209,673**	224,213

22. ULTIMATE PARENT COMPANY

The immediate parent undertaking as at the Statement of Financial Position date was Punch Taverns Holdings Limited, a company registered at England and Wales. Copies of its financial statements can be obtained from the Company Secretary, Elsley Court, 20-22 Great Titchfield Street, London, W1W 8BE, United Kingdom, which is also its registered office.

The parent undertaking at the Statement of Financial Position date, which was the smallest group of undertakings for which Group financial statements were drawn up and of which the Company was a member, was Heineken UK Limited, a company registered in Scotland. Group financial statements for this company may be obtained from the Company Secretary, 3-4 Broadway Park, South Gyle Broadway, Edinburgh, EH12 9JZ, United Kingdom, which is also its registered office.

22. ULTIMATE PARENT COMPANY (CONTINUED)

The ultimate parent undertaking at the Statement of Financial Position date is Heineken Holding N.V. and the ultimate controlling party is Mrs C.L. de Carvalho-Heineken. Heineken Holding N.V., a company incorporated and registered in The Netherlands is the parent for the largest group of undertakings for which group financial statements were drawn up and of which the Company was a member. Group financial statements for this company may be obtained from the Company Secretary, Heineken Holding N.V., Tweede Weteringplantsoen 21, 1017 ZD, Amsterdam, The Netherlands, which is also the registered office.