

Registered number: 03512363

PUNCH PARTNERSHIPS (PTL) LIMITED

UNAUDITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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PUNCH PARTNERSHIPS (PTL) LIMITED

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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 8BE United Kingdom

PUNCH PARTNERSHIPS (PTL) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their Strategic Report and the financial statements of Punch Partnerships (PTL) Limited ('the Company') for the year ended 31 December 2022. 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 Company achieved turnover of £175,225k (2021: £127,313k) and gross profit of £121,625k (2021: £91,118k). After administrative expenses and other operating income, operating profit in the year amounted to £58,211k (2021: £33,793k). The profit for the year, after tax, was £36,241k (2021: £27,953k). In 2021, performance was impacted by COVID-19 restrictions and supply chain challenges. Performance in 2022 has improved despite a number of challenges impacting the UK economy, with a rise in inflation driven by increased energy and commodity prices, the uncertainty caused by the War in Ukraine and significant pressure on disposable incomes, all resulting in cost of living pressures and reduction in consumer demand. Despite these challenges, customers in our pub estate are enjoying more beer, cider and food and we continue to invest for the long term, based on our strategy and footprint, and foresee value growth in our estate.

The main assets of the Company are the properties, fixtures and fittings related to the Company's principal activity of the management of pubs and the supply of beer products to the pub estate in the United Kingdom (UK). As at 31 December 2022, the Company had net assets of £563,507k (2021: £527,266k).

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 (2021: £nil).

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 of Heineken UK Limited, in consultation with the Directors of the Company. The Directors bear ultimate responsibility for managing the main risks faced by the Company and for reviewing the adequacy of the Company's 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.

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 interest rates will adversely affect the fair value or cash flows of a financial instrument and cause volatility in the results of the Company. The most significant risk relates to the variable rate of interest on intercompany loans. The variable rate of interest on loans between Group companies is determined by management in line with the Global Credit Policy, ensuring an equitable spread of the cost of funding throughout the Group.

PUNCH PARTNERSHIPS (PTL) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL RISK MANAGEMENT POLICY (CONTINUED)

Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet payment obligations associated with its liabilities when they are due. The Company's financial liabilities primarily include intercompany loans from Group companies. The Group liquidity position is managed by the Management Team in conjunction with the Directors, together ensuring that the maturity of any debt is aligned with the forecasted cash flow generation of the business. There are strong cost and cash management procedures in place, including controls over investment proposals, and as a result liquidity risk is deemed limited.

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 14 September 2023 and signed on its behalf by:

DocuSigned by:

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S M Paterson
Director

PUNCH PARTNERSHIPS (PTL) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their annual report and the financial statements of Punch Partnerships (PTL) Limited ('the Company') for the year ended 31 December 2022.

PRINCIPAL ACTIVITY

The principal activity of the Company is the rental and management of pubs, 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 (2021: £nil).

RESULTS AND DIVIDENDS

Profit for the year, after tax, amounted to £36,241k (2021: £27,953k). 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 (2021: £nil).

MATTERS INCLUDED IN THE STRATEGIC REPORT

Details of financial risk management and principal risks are discussed in the Strategic Report on pages 2-3 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 pubs for the foreseeable future.

GOING CONCERN

The financial position of the Company is set out in the Statement of Financial Position on pages 8-9 of the financial statements. The Company has net current liabilities of £797,313k at 31 December 2022 (2021: £831,369k). Funding amounts owed to other Group companies of £800,589k (2021: £825,317k) 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 2022 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.

PUNCH PARTNERSHIPS (PTL) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**


QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

Qualifying third-party indemnity provisions are in place for the benefit of Directors or Officers of the Heineken Group (which extend to the performance of any duties as Director or Officer of any associated company) and these remain in force at the date of this report.

EXEMPTION FROM AUDIT

For the year ended 31 December 2022 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 14 September 2023 and signed on its behalf by:

DocuSigned by:

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S M Paterson
Director

PUNCH PARTNERSHIPS (PTL) LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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.

PUNCH PARTNERSHIPS (PTL) LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Turnover	4	175,225	127,313
Cost of sales		(53,600)	(38,195)
Gross profit		121,625	91,118
Administrative expenses		(69,048)	(60,589)
Other operating income		5,634	3,264
Operating profit	5	58,211	33,793
Interest receivable and similar income	8	12,396	516
Interest payable and similar expenses	9	(22,673)	(1,628)
Profit before tax		47,934	32,681
Tax on profit	10	(11,693)	(4,728)
Profit for the financial year and total comprehensive income		36,241	27,953

All amounts relate to continued operations.

The notes on pages 11 to 31 form part of these financial statements.

PUNCH PARTNERSHIPS (PTL) LIMITED
REGISTERED NUMBER: 03512363

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

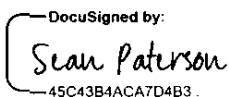
		2022	2021
	Note	£000	£000
Fixed assets			
Intangible fixed assets	11	16,162	16,842
Tangible fixed assets	12	904,678	900,588
Debtors: amounts falling due after more than one year	14	456,327	453,967
		1,377,167	1,371,397
Current assets			
Debtors: amounts falling due within one year	14	48,315	76,219
Assets held for sale	15	1,458	2,369
Cash at bank and in hand		1,406	1,545
		51,179	80,133
Total assets		1,428,346	1,451,530
Current liabilities			
Creditors: amounts falling due within one year	16	(848,492)	(911,502)
Net current liabilities		(797,313)	(831,369)
Total assets less current liabilities		579,854	540,028
Non-current liabilities			
Creditors: amounts falling due after more than one year	16	(10,930)	(12,100)
Provisions for liabilities			
Deferred tax	17	(4,621)	-
Other provisions	18	(796)	(662)
Net assets		563,507	527,266
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	238,004	201,763
Total equity		563,507	527,266

PUNCH PARTNERSHIPS (PTL) LIMITED
REGISTERED NUMBER: 03512363

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

For the year ended 31 December 2022 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 14 September 2023 by:

DocuSigned by:

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S M Paterson
Director

The notes on pages 11 to 31 form part of these financial statements.

PUNCH PARTNERSHIPS (PTL) LIMITED**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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called-up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2022	1,001	324,502	201,763	527,266
Profit for the financial year and total comprehensive income	-	-	36,241	36,241
At 31 December 2022	1,001	324,502	238,004	563,507

The notes on pages 11 to 31 form part of these financial statements.

PUNCH PARTNERSHIPS (PTL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

Punch Partnerships (PTL) Limited ('the Company') is engaged in the rental and management of pubs, 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 pound 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 IFRS 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 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IFRS 3 'Reference to the Conceptual Framework';
- Amendments to IAS 16 'Property, Plant and Equipment - Proceeds before Intended Use';
- Amendments to IAS 37 'Onerous Contracts—Cost of Fulfilling a Contract'; and
- 'Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle'.

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:

- IFRS 7 'Financial instruments: Disclosures'.
- Paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127, 129 and second sentence of paragraph 110 of IFRS 15 'Revenue from Contracts with Customers' (disaggregation of revenue recognised from contracts with customers, qualitative and quantitative information related to changes in contract assets and contract liabilities, information about an entity's performance obligations, transaction prices and any significant judgements).

PUNCH PARTNERSHIPS (PTL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (CONTINUED)

2.1. Basis of preparation of financial statements (continued)

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

- Paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases' (disclosure of lease income, selling profit or loss and qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases). The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
 - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
 - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- 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).
- IAS 7, 'Statement of cash flows'.
- 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).
- Paragraph 74(b) of IAS 16 (amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost).
- Paragraphs 17 (key management compensation) and 18A of IAS 24, 'Related party disclosures', related to key management services provided by a separate management entity.
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, and management's approach to determining these amounts).

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****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 8-9 of the financial statements. The Company has net current liabilities of £797,313k at 31 December 2022 (2021: £831,369k). Funding amounts owed to other Group companies of £800,589k (2021: £825,317k) 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 2022 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.

2.3. 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.

PUNCH PARTNERSHIPS (PTL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (CONTINUED)

2.3. Turnover (continued)

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 pubs 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.

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****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 cost of disposal 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. 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 cost of disposal 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.

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.

PUNCH PARTNERSHIPS (PTL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. ACCOUNTING POLICIES (CONTINUED)

2.9. 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 assets at amortised cost.

Financial assets at amortised cost

Financial assets at amortised cost include financial assets held with the objective of collecting contractual cash flows from payments of principle and interest on the principle amount outstanding, such as loans and trade and other debtors. These assets are subsequently measured at amortised cost using the effective interest rate method, which ensures that the interest income over the period of repayment is at a constant rate on the balance of the asset carried into the Statement of Financial Position.

The Company determines on each reporting date the impairment of trade and other debtors using a model that estimates the lifetime expected credit losses that will be incurred on these debtors. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Financial assets are written off when there is no reasonable expectation of recovery.

Financial liabilities

The Company classifies all of its 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.

2.10. Cash at bank and in hand

Cash at bank and in hand is represented by cash in hand 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.

2.11. Interest receivable and payable

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

2.12. 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.

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****2. ACCOUNTING POLICIES (CONTINUED)****2.13. Other provisions**

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.

2.14. 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.

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.

2.15. 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.

PUNCH PARTNERSHIPS (PTL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES (CONTINUED)

2.15. Leases (continued)

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 (£4k) 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.

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.

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY****Key sources of estimation uncertainty**

The Directors believe there are no key sources of estimation uncertainty in preparing these financial statements.

- Impairment and impairment reversal in the pub estate

Further information on the impairment review is included in note 12. Impairment was assessed at the individual pub level and measured at fair value less cost of disposal (FVLCD), being the higher of FVLCD and value in use (VIU). A large driver of impairment was the reduction in the VIU calculation driven by the increase in the discount rate applied, partly a result of the instability in UK government and UK country risk. The majority of the reversals related to sites that received capital investment, which had improved profitability compared to previously impaired values. The estate is a portfolio of pubs within which there is constant flux and churn, both in the licensees running the pubs and in the invested/ pub lifecycle situation of the pubs. Part of the impairments and reversals also came from this churn.

The Directors determined that a significant fall in the discount rate to September 2021 levels would be required to result in a material adjustment, notably an increase in impairment reversal. The Directors do not anticipate that a fall in the discount rate of such magnitude will occur as the 30 year gilt yield included in the Group Weighted Average Cost of Capital (WACC) is expected to remain high, it will not return to rates consistent with the response to COVID-19. As a result, a change to the discount rate is not expected to result in a material adjustment to the carrying amounts of pub assets within the next financial year.

Critical judgements in applying the Company's accounting policies

The preparation of financial statements in conformity with IFRS 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.

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.

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****4. TURNOVER**

	2022	2021
	£000	£000
Sale of goods	120,941	80,388
Rendering of services	49,037	44,581
Other revenue	5,247	2,344
	175,225	127,313

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

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):	2022	2021
	£000	£000
Distribution costs	8,873	6,017
Depreciation and impairment losses of tangible fixed assets and assets held for sale (notes 12 and 15)	12,382	11,787
Amortisation and impairment losses of intangible fixed assets and assets held for sale (note 11)	680	491
Management charges	31,248	28,029
Gain on disposal of tangible fixed assets	(1,149)	(3,264)
Gain on disposal of intangible fixed assets	(4,484)	-

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 2022 (2021: £nil). No non-audit services were provided to the Company in the current and prior year.

7. EMPLOYEES

The Company has no employees (2021: 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

	2022	2021
	£000	£000
Interest receivable from Group undertakings	12,312	416
Interests on lease receivable	83	90
Other interest receivable	1	10
	12,396	516

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****9. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2022	2021
	£000	£000
Interest payable to Group companies	22,172	1,230
Interest on lease liabilities	373	391
Bank interest payable	13	7
Other Interest payable	115	-
	22,673	1,628

10. TAX ON PROFIT

	2022	2021
	£000	£000
Corporation tax		
Current tax on profit for the year	688	-
Total current tax	688	-
Deferred tax		
Current year	11,422	8,312
Adjustments in respect of prior periods	(417)	(75)
Effect of changes in tax rates	-	(3,509)
Total deferred tax	11,005	4,728
Tax on profit	11,693	4,728

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The effective tax rate of 24.39% (2021: 14.47%) for the year is higher (2021: lower) than the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%) as set out below:

	2022	2021
	£000	£000
Profit before tax	47,934	32,681
Profit before tax multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	9,107	6,209
EFFECTS OF:		
Fixed assets differences	(20)	(470)
Additional deduction for land remediation expenditure	(17)	(21)
Expenses not deductible for tax purpose	8	282
Group relief surrendered	-	335
Chargeable gains	291	-
Tax rate changes	2,741	(1,532)
Adjustments in respect of prior periods	(417)	(75)
TOTAL TAX CHARGE FOR THE YEAR	11,693	4,728

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****10. TAX ON PROFIT (CONTINUED)****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 prior year and these changes were 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 where applicable at the year-end and in the prior year. The Finance Act 2022 and 2023, receiving Royal Assent on 24 February 2022 and 10 January 2023 respectively, will have no impact on the corporation tax figures.

11. INTANGIBLE FIXED ASSETS

	Lease premium £000
Cost or valuation	
As at 1 January 2022	20,786
As at 31 December 2022	20,786
Accumulated amortisation and impairment losses	
As at 1 January 2022	3,944
Charge for the period	452
Impairment losses	1,085
Reversal of impairment	(857)
As at 31 December 2022	4,624
Net book value	
As at 31 December 2021	16,842
As at 31 December 2022	16,162

Refer to note 12 for further detail on impairment losses and reversal of impairment.

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.

	2022 £000	2021 £000
Freehold property, buildings and fixtures and fittings	894,523	889,711
ROU assets	10,155	10,877
Tangible fixed assets	904,678	900,588

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****12. TANGIBLE FIXED ASSETS (CONTINUED)**

	Freehold property, buildings, fixtures and fittings £000
Cost or valuation	
As at 1 January 2022	1,071,259
Additions	19,996
Disposals	(3,463)
Transfer to assets held for sale (note 15)	(2,404)
Transfer from assets held for sale (note 15)	1,044
As at 31 December 2022	<u>1,086,432</u>
Accumulated depreciation and impairment losses	
As at 1 January 2022	181,548
Charge for the period	12,763
Impairment losses	26,701
Reversal of impairment	(27,089)
Disposals	(1,342)
Transfer to assets held for sale (note 15)	(709)
Transfer from assets held for sale (note 15)	37
As at 31 December 2022	<u>191,909</u>
Net book value	
As at 31 December 2021	889,711
As at 31 December 2022	<u>894,523</u>

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

Following an impairment review 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 recognised.

In 2021, pubs identified as held for sale were impaired to the lower of carrying amount and FVLCD, which resulted in impairment losses on tangible and intangible fixed assets of £37k and £717k respectively. For other pubs within intangible and owned tangible assets there were no triggers for impairment or impairment reversal.

Following recent economic challenges due to high inflation which has resulted in lower Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and lower cashflows across the hospitality sector in the UK, in 2022, an impairment review was performed across the pub estate. Following the impairment test, the Directors recognised reversal of previous impairment of £27,089k on owned tangible assets, £857k on intangibles and £948k on assets held for sale. In addition, the Directors recognised impairment losses of £26,701k on owned tangible assets, £1,085k on intangibles and £468k relating to assets held for sale. Details for each asset category are set out in notes 12, 11 and 15 respectively. The amounts have been included in administrative expenses in the Statement of Comprehensive Income.

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****12. TANGIBLE FIXED ASSETS (CONTINUED)**

The Group considers that each of its individual pubs is a cash-generating unit (CGU) and as a result, each asset was reviewed for impairment by comparing the recoverable amount to the carrying value. Recoverable amount was determined at FVLCD, being the higher of FVLCD or VIU.

As stated in note 3, the Directors believe there are no key sources of estimation uncertainty that are expected to result in a significant risk of a material adjustment within the next financial year. Information on the measurement of impairment in the review is included below:

Discount rate

The discount rate used in the VIU model started with the Group Weighted Average Cost of Capital (WACC) calculated independently by Heineken Group Treasury and applied the beta and gearing of listed UK pub companies. As outlined in note 4, a significant fall in the discount rate to September 2021 levels would be required to result in a material adjustment to the impairment, notably an increase in impairment reversal. The Directors do not anticipate that a fall of this magnitude will occur based on market conditions

Valuation multiple

In absence of up to date estate valuations and fair maintainable cash flows, and in order to calculate a FVLCD, an EBITDA multiple of 10 times was applied to each pub's projected future cash flows. This is a typical market valuation methodology to determine a 'fair selling price' in this sector. Prior market transactions between February 2022 and May 2022 generated multiples of 11.0, 12.2 and 8.1 times resulting in the multiple of 10 times as a reasonable mid-point. Transactions in the UK market vary depending on the structure of transactions, quality of the pubs and the buyer/seller market conditions. Based on analysis of recent transactions from 2020, including the multiples above, the Directors do not see current market conditions having a material impact on the multiples for which pubs transact in the market, whilst multiples could be lower in certain transactions these are not expected to impact the mid-point on our portfolio of pubs.

Forecast cash flows

The forecast cash flows are based on site level historic average 3 year EBITDA, with the exception of pubs that we have invested in where we used the latest 12 months to October 2022 as the best indicator of future cash flows. The Directors believe the 3 year average allows for any one off extremes in any year going forward. In the current high inflation environment how each pub handles their price increases on the bar, cost management and promotional offsets will determine how successful they are going forward. As a result, the Directors believe the approach adopted is the most appropriate basis to forecast the future cashflows and represents the best estimate of the range of economic conditions that will exist over the remaining useful life of the asset.

The Directors will continue to assess market conditions for triggers of impairment and impairment reversal in the pub estate and expect to perform an assessment twice per annum.

ROU assets

	2022	2021
	£000	£000
Land and buildings	10,155	10,877
Carrying amount of ROU assets as at 31 December	10,155	10,877

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****12. TANGIBLE FIXED ASSETS (CONTINUED)**

An additional amount of £7k (2021: £17k) was recognised during the year as ROU assets as a result of entering into new lease contracts.

Total cash outflow for leases in 2022 was £1,348k (2021: £1,421k).

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 £10k (2021: £8k). Variable lease payments of £951k (2021: £650k) 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:

	2022	2021
	£000	£000
Land and buildings	(487)	(503)
Depreciation for ROU assets for the year ended 31 December	(487)	(503)

13. INVESTMENTS

	Investments in subsidiary companies £000
Cost	
At 1 January 2022 and 31 December 2022	-
Accumulated impairment	
At 1 January 2022 and 31 December 2022	-
Net book value	
At 1 January 2022 and 31 December 2022	-

DIRECT SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Country of incorporation/ Principal place of business	Class of shares	Holding
Punch Taverns (PR) Limited ⁽¹⁾	England & Wales	Ordinary	100.00%
Punch Taverns (VPR) Limited ⁽¹⁾	England & Wales	Ordinary	100.00%
Tetley Walker Limited ⁽¹⁾	England & Wales	Ordinary	100.00%
Tolchard and Son Limited ⁽¹⁾	England & Wales	Ordinary	100.00%

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****13. INVESTMENTS (CONTINUED)**

The Company had a 100.00% direct interest in the below subsidiary companies, which were dissolved in 2022:

- Agnew Stores (Holdings) Limited
- BK Investments Limited
- Inn Business Property Limited.

Registered address of investments:

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

14. DEBTORS

	2022	2021
	£000	£000
Amounts due after more than one year		
Deferred tax asset	-	6,384
Long term prepayments and accrued income	5,138	10,551
Finance lease receivables	2,395	2,844
Lease receivable allowance for credit losses	(17)	(17)
Funding amounts owed by direct and intermediate parent undertakings	448,811	434,205
	456,327	453,967

	2022	2021
	£000	£000
Amounts due within one year		
Trade debtors	12,034	10,462
Trade amounts owed by intermediate parent undertaking and its subsidiaries	30,455	59,849
Short term lease receivable	301	349
Other debtors	14	17
Short term prepayments and accrued income	5,511	5,542
	48,315	76,219

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 1.55% (2021: 0.10%) plus average Sterling Overnight Index 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 trading in nature.

Finance Lease Receivables

The Company entered into finance lease arrangements as a lessor of pubs. The average outstanding term of the finance lease receivables, including the short term portion of lease receivables, is 7 years (2021: 8 years). No new lease arrangements were entered into during 2022. 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 3.09% (2021: 3.24%).

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****14. DEBTORS (CONTINUED)**

Finance lease receivables amounted to £82k 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.

	2022	2021
	£000	£000
Amounts receivables under finance lease		
Less than 1 year	618	606
Between 1 and 5 years	2,474	1,509
Greater than 5 years	168	1,708
Undiscounted lease payments	3,260	3,823
Less unearned finance income	564	630
Present value of lease payments receivables	2,696	3,193
Lease receivable allowance for credit losses	(17)	(17)
Net investment in the lease	2,679	3,176

Undiscounted lease payments analysed as:

	2022	2021
	£000	£000
Recoverable after 12 months	2,642	3,217
Recoverable within 12 months	618	606

Net investment in the lease analysed as:

	2022	2021
	£000	£000
Recoverable after 12 months	2,378	2,827
Recoverable within 12 months	301	349

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****15. ASSETS HELD FOR SALE**

	£000
Cost or valuation	
As at 1 January 2022	4,455
Disposals	(3,317)
Transfer from tangible fixed assets	2,404
Transfer to tangible fixed assets	(1,044)
As at 31 December 2022	<u>2,498</u>
Accumulated depreciation, amortisation and impairment losses	
As at 1 January 2022	2,086
Impairment losses	468
Reversals of impairments	(948)
Disposals	(1,238)
Transfer from tangible fixed assets	709
Transfer to tangible fixed assets	(37)
As at 31 December 2022	<u>1,040</u>
Net book value	
As at 31 December 2021	<u>2,369</u>
As at 31 December 2022	<u>1,458</u>

16. CREDITORS

	2022	2021
	£000	£000
Amounts falling due within one year		
Trade creditors	1,437	3,062
Funding amounts owed to intermediate parent undertakings and their subsidiary	800,589	825,317
Trade amounts owed to intermediate parent undertakings and their subsidiaries	15,146	55,034
Other creditors	13,919	12,974
Accruals and deferred income	7,080	5,743
Social securities and other taxes	9,360	8,363
Lease liabilities	961	1,009
	<u>848,492</u>	<u>911,502</u>
Amounts falling due after more than one year		
Lease liabilities	<u>10,930</u>	<u>12,100</u>

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****16. CREDITORS (CONTINUED)**

Funding amounts owed to intermediate parent undertakings and their subsidiary are unsecured. An annual interest rate of 1.55% (2021: 0.10%) 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 trading in nature.

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

	Carrying amount £000	Contractual cash flows £000	Less than 1 year £000	1 - 5 years £000	More than 5 years £000
Lease liabilities	11,891	19,332	1,273	3,067	14,992
Total 2022	11,891	19,332	1,273	3,067	14,992
Total 2021	13,109	21,166	1,399	3,696	16,071

17. DEFERRED TAX

In respect of previous year:

	£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

In respect of current year:

	£000
At 1 January 2022	6,384
Charged to the Statement of Comprehensive Income	(11,422)
Adjustments in respect of prior years	417
At 31 December 2022	(4,621)

The deferred tax (liability)/asset is made up as follows:

	2022 £000	2021 £000
Accelerated capital allowances	(47,100)	(41,488)
Trading losses	8,118	8,118
Other timing differences	34,361	39,754
	(4,621)	6,384

Deferred tax of £28,531k (2021: £28,914k) on capital losses of £114,124k (2021: £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.

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****18. OTHER PROVISIONS**

	Onerous leases	Insurance claims	Other provision	Total
	£000	£000	£000	£000
As at 1 January 2022	653	9	-	662
Provision created	74	26	217	317
Provision released	(97)	(7)	(51)	(155)
Provision utilised	-	(28)	-	(28)
At 31 December 2022	630	-	166	796

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.

19. CALLED-UP SHARE CAPITAL

	2022	2021
	No.	No.
Authorised shares	1,001,500	1,001,500
	2022	2021
	£000	£000
Allotted, called up and fully paid		
1,001,403 (2021: 1,001,403) Ordinary shares of £1 (2021: £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 10 months to 13 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.

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****21. OPERATING LEASE RECEIVABLES (CONTINUED)**

At 31 December 2022, the Company had future minimum lease income under non-cancellable operating leases as follows:

	2022	2021
	£000	£000
Not later than 1 year	32,187	33,709
Later than 1 year and not later than 5 years	87,117	84,121
Later than 5 years	70,476	91,843
Total	<u>189,780</u>	<u>209,673</u>

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.

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.