

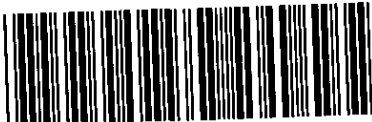
Registered number: 03512363

PUNCH PARTNERSHIPS (PTL) LIMITED

UNAUDITED ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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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 2020

The directors present their Strategic Report and the financial statements of Punch Partnerships (PTL) Limited (the "company") for the year ended 31 December 2020. The company is a wholly owned subsidiary of Punch Taverns Holdings Limited. The ultimate parent company at the year end is Heineken Holding N.V. and the ultimate controlling party is Mrs C.L. de Carvalho-Heineken. Heineken N.V. and subsidiary undertakings form the "group", with Heineken N.V. heading up the largest company into which the results of the company are consolidated.

BUSINESS REVIEW

The company reported a loss after taxation for the year of £112,344k (2019: profit of £31,603k). The loss is primarily attributable to an impairment loss recognised on intangible and tangible fixed assets and a decline in turnover, both as a direct result of the COVID-19 pandemic. An impairment loss of £136,388k has been recorded on the line 'Administrative Expenses' in the Statement of Comprehensive Income (page 7). 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. During the year and after year end, no dividends were paid or proposed (2019: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties associated with the company's financial assets and liabilities are set out in the Directors' Report on page 3. 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 line management. Group-wide risk management priorities are defined by regional and functional management and endorsed by the Executive Board, who bears 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. Consumer preferences and behaviours are evolving, shaping an increasingly complex and fragmented beer category. This requires the UK Heineken business to constantly adapt its product offering, innovate and invest to maintain the relevance and strength of its brands.

ENERGY AND CARBON REPORTING

The company is an indirect subsidiary undertaking of Heineken UK Limited. Heineken UK Limited and all of its subsidiary undertakings form a group. 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, which is also its registered office.

FINANCIAL KEY PERFORMANCE INDICATORS

The company key measurements of effectiveness of its operations are turnover, gross profit and operating profit. The company achieved turnover and gross profit of £109,582k and £80,538k respectively (2019: turnover £204,111k, gross profit £136,880k). The company achieved operating loss of £126,335k in 2020 (2019: operating profit of £61,008k). The Statement of Comprehensive Income for the year is set out on page 7 of the financial statements.

This report was approved by the board on 08-Sep-2021 and signed on its behalf by:

DocuSigned by:

45C43B4ACA7D4B3
S M Paterson
Director

PUNCH PARTNERSHIPS (PTL) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and the financial statements of Punch Partnerships (PTL) Limited (the "company") for the year ended 31 December 2020. The company is a wholly owned subsidiary of Punch Taverns Holdings Limited. The ultimate parent company at the year end is Heineken Holding N.V. and the ultimate controlling party is Mrs C.L. de Carvalho-Heineken. Heineken N.V. and subsidiary undertakings form the "group", with Heineken N.V. heading up the largest company into which the results of the company are consolidated.

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:

D M Forde (resigned on 31 July 2020)
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 (2019: £nil).

RESULTS AND DIVIDENDS

Loss for the year, after taxation, amounted to £112,344k (2019: profit of £31,603k). A review is presented in the Strategic Report on page 2 and form part of this report by way of cross reference.

During the year and after year end, no dividends were paid or proposed (2019: £nil).

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 of interest rate risk being undertaken at group level and therefore interest rate risk is monitored 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 global 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. The Heineken Group remains focused on ensuring sufficient access to capital markets to finance long-term growth and to refinance maturing debt obligations. Additionally, the Heineken Group, UK Group and company has strong cost and cash management as well as controls over investment proposals in place. The management of liquidity risk continues to be managed globally and the company benefits from the support by other UK Group companies. Liquidity risk is therefore deemed limited.

UK WITHDRAWAL FROM THE EU

The UK electorate voted to leave the European Union ("EU") on 23 June 2016. The UK invoked Article 50 of the Lisbon Treaty on 29 March 2017, which triggered a two-year period, subject to extension, during which the UK government negotiated a withdrawal agreement with the EU. The UK formally exited the European Union on 31 January 2020 and entered a transition period until 31 December 2020. On 24 December 2020, an agreement between the UK and EU on their future trading relationship was announced. Coming into effect on 1 January 2021, the deal replaced the existing arrangements under the transition period.

PUNCH PARTNERSHIPS (PTL) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

UK WITHDRAWAL FROM THE EU (CONTINUED)

While details of the trade arrangement will continue to be negotiated, the deal provides for zero tariffs and zero quotas on all goods that comply with the appropriate rules of origin, and that both the UK and EU have committed to ensuring a robust level playing field going forward.

At the start of 2018 we established our Brexit Risk Cabinet which includes key members of the UK Management Team and functional experts from across the business. Throughout 2019 and 2020, we actively stress tested our UK operations, focussing on the end to end movement of goods, and put contingency plans in place to *mitigate any impact of a No Deal Brexit. The trade agreement reached significantly de-risks the impact of Brexit* on the company and fellow subsidiary companies' business in the UK.

The Brexit Risk Cabinet also put in place measures to maintain business continuity in case of disruption caused by the transition period ending. Whilst details of implementing cross border transactions under the new arrangement continue to emerge, the actualised risk of Brexit is considered to be very limited. In the year to date 2021, we have not experienced any material impact on our ability to trade as a direct result of Brexit.

All of our pubs are UK based. We are less reliant on imports and our direct (or indirect) parent entity has robust UK production capabilities. We have taken steps to map our supply chain and are working with our suppliers to ensure adequate stocks are available in advance of Brexit.

While being carefully monitored, the risk of Brexit is therefore considered limited.

FUTURE DEVELOPMENTS

The company expects to continue its principal activity of the rental and management of public houses, which are utilised in the supply of goods by fellow group undertakings.

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.

COVID-19

The COVID-19 pandemic and its impact on British society and the UK economy has been unprecedented. It has required the company to demonstrate resilience and adaptability in the face of considerable challenge and uncertainty. The closure of pubs, restaurants and bars on 23 March has significantly impacted the operating performance of the UK Group and company in 2020.

The UK Group and company has focused its response in three areas – the health, safety and wellbeing of stakeholders; the continuity of business operations; and finally, the mitigation of financial impact and safeguarding of jobs. All considerations have been addressed in the consolidated financial statements of Heineken UK Limited. The Heineken UK Group management team convened on a bi-weekly basis to manage business operations and interests guided by these principles and regularly communicated its decisions and actions to employees.

Along with our other pub businesses within the UK 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 hibernation period. *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. Rent concessions of £20m were granted by the company with £37m granted in total by the wider Heineken UK Group.

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. To assist return to trade, under new restrictions, the wider Heineken group developed the 'Swifty' application, which allows for *ordering and processing of cashless transactions at a safe distance for tenants, employees and customers.*

PUNCH PARTNERSHIPS (PTL) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

COVID-19 (CONTINUED)

As restrictions started to ease in Q2 2021, we were encouraged by the proportion of the pub estate were able to re-open quickly, and we anticipate the vast majority of pubs will re-open over the course of the summer as restrictions ease further. The support we have provided our licensees in the form of rent concessions mean we expect minimal business failures above normal expected churn levels experienced in managing the estate.

Clearly, an event as unprecedented as the COVID-19 pandemic will have consequences over the short and medium term, however significant learnings have been made and practices adopted that will support greater productivity, lower costs, improve agility and create a flexible working environment for all.

POST BALANCE SHEET EVENTS

Subsequent to the reporting date, the remaining share of the below group entities were transferred to the company from other group undertakings as part of an ongoing project to simplify the UK Group corporate structure:

- Agnew Stores (Holdings) Limited
- BK Investments Limited
- Inn Business Property Limited
- Punch Taverns (VPR) Limited
- Tetley Walker Limited
- Tolchard & Son Limited.

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 £845,205k at 31 December 2020 (restated 2019: £850,399k). Funding amounts owed to other group companies of £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.

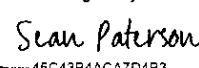
We entered the COVID-19 crisis with a strong market position. We have managed the situation as it has developed taking a number of mitigating actions across the business to allow the UK Group to face this unprecedented crisis in the best possible way and to protect the long-term potential of our business. Any further developments will be managed carefully as we have already demonstrated, taking mitigating actions where required. 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 UK Group and therefore the company, will continue in operational existence for the foreseeable future.

Additionally, Heineken International B.V., an intermediary parent company, has confirmed that they do not intend to request a repayment of borrowings granted to fellow UK Group companies under existing agreements for at least 12 months from the date of this report. 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.

EXEMPTION FROM AUDIT

For the year ended 31 December 2020, 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 Act with respect to accounting records and preparation of accounts.

This report was approved by the board on 08-Sep-2021 and signed on its behalf by:

DocuSigned by:

45C43B4ACA7D4B3.
S M Paterson
Director

PUNCH PARTNERSHIPS (PTL) LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 2020**

	Note	2020 £000	2019 £000
Turnover	4	109,582	204,111
Cost of sales		(29,044)	(67,231)
GROSS PROFIT		80,538	136,880
Administrative expenses		(206,873)	(75,872)
OPERATING (LOSS)/PROFIT	5	(126,335)	61,008
Interest receivable and similar income	8	147	375
Interest payable and similar expenses	9	(4,124)	(15,927)
(LOSS)/PROFIT BEFORE TAX		(130,312)	45,456
Tax on (loss)/ profit	10	17,968	(13,853)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(112,344)	31,603

All amounts relate to continued operations.

The notes on pages 11 to 32 form part of these financial statements.

PUNCH PARTNERSHIPS (PTL) LIMITED**REGISTERED NUMBER: 03512363****STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

		2020	Restated*
	Note	£000	2019 £000
Fixed assets			
Intangible fixed assets	11	17,414	20,474
Tangible fixed assets	12	896,893	1,038,781
Debtors: amounts falling due after more than one year	14	445,466	425,967
		<u>1,359,773</u>	<u>1,485,222</u>
Current assets			
Debtors: amounts falling due within one year	14	63,478	58,000
Assets held for sale	15	5,935	6,164
Cash and bank		200	2,394
		<u>69,613</u>	<u>66,558</u>
Total Assets		<u>1,429,386</u>	<u>1,551,780</u>
Current liabilities			
Creditors: amounts falling due within one year	16	(914,818)	(916,957)
Net current liabilities		<u>(845,205)</u>	<u>(850,399)</u>
Total assets less current liabilities		<u>514,568</u>	<u>634,823</u>
Non-current liabilities			
Creditors: amounts falling due after more than one year	16	(12,653)	(21,166)
Provisions for liabilities	18	(2,602)	(2,000)
Net assets		<u>499,313</u>	<u>611,657</u>
Capital and reserves			
Called-up share capital	19	1,001	1,001
Share premium	20	324,502	324,502
Profit and loss account	20	173,810	286,154
Total equity		<u>499,313</u>	<u>611,657</u>

*The Statement of Financial Position at 31 December 2019 has been restated as set out in note 2.20 and in notes 14 and 16.

PUNCH PARTNERSHIPS (PTL) LIMITED

REGISTERED NUMBER: 03512363

**STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020**

For the year ended 31 December 2020 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 Act 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 08-Sep-2021 by:

DocuSigned by:

45C43B4ACA7D4B3
S M Paterson
Director

The notes on pages 11 to 32 form part of these financial statements.

PUNCH PARTNERSHIPS (PTL) LIMITED**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 2019**

	Called-up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2019	1,001	324,502	253,455	578,958
Effects due to change in accounting policy IFRS 16	-	-	1,096	1,096
Profit for the financial year	-	-	31,603	31,603
Total comprehensive income for the financial year	-	-	32,699	32,699
At 31 December 2019	1,001	324,502	286,154	611,657

The notes on pages 11 to 32 form part of these financial statements.

PUNCH PARTNERSHIPS (PTL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 United Kingdom 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 it is included in the group accounts of Heineken UK Limited. The group accounts of Heineken UK Limited 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 mandatorily effective for the current year

The company has adopted the following new International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), interpretations and amendments to existing standards, which are effective by EU endorsement for annual periods beginning on or after 1 January 2020.

Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms.

The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

As the company has no hedging instruments, the directors have concluded that the new standard has had no impact.

COVID-19 Related Rent Concessions Amendment to IFRS 16 Leases

In May 2020, the IASB issued COVID-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-Related Rent Concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-Related Rent Concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) There is no substantive change to other terms and conditions of the lease.

PUNCH PARTNERSHIPS (PTL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION (CONTINUED)

Adoption of new and revised standards (continued)

New and amended standards that are mandatorily effective for the current year (continued)

COVID-19 Related Rent Concessions Amendment to IFRS 16 Leases (continued)

As the company has no rent concessions received from landlords, the directors have concluded that the new standard has had no impact.

Impact of the initial application of other new and amended IFRS standards that are effective for the current year

In the current year, the company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2020. *Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.*

Amendments to IFRS 3 Definition of a business

The company has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 Definition of material

The company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence". The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

Amendments to References to the Conceptual Framework in IFRS Standards

The company has adopted the amendments included in *Amendments to References to the Conceptual Framework in IFRS Standards* for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new *Framework*. Not all amendments, however, update those pronouncements with regard to references to and quotes from the *Framework* so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the *Framework* they are referencing to (the IASB *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****2. ACCOUNTING POLICIES****2.1. Basis of preparation of financial statements**

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

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 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 share-based payment transactions that are within the scope of IFRS 2, 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 net realisable value in IAS 2 or value in use in IAS 36.

PUNCH PARTNERSHIPS (PTL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.1. Basis of preparation of financial statements (continued)

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 £845,205k at 31 December 2020 (restated 2019: £850,399k). Funding amounts owed to other group companies of £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.

The directors continue to adopt the going concern basis in preparing the annual report and financial statements, as confirmed in the Directors' Report on page 5.

2.3. Revenue

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue 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

Revenue 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

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

2.4. Intangible Fixed Assets

Intangible assets are initially recognised at cost. After recognition, under cost model, intangible 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

This intangible asset is amortised on a straight-line basis over its 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.

PUNCH PARTNERSHIPS (PTL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.5. Tangible Fixed Assets (continued)

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.

2.6. Impairment of tangible and intangible fixed assets

At each reporting date, the carrying amounts of property, plant and equipment and intangible assets are reviewed to determine whether indicators for impairment exists. 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 purpose 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.

2.7. Assets held for sale

Tangible 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

Short term 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. Cash and bank

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.

PUNCH PARTNERSHIPS (PTL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

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.

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 including bank borrowings 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.

2.11. 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. Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13. Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****2. ACCOUNTING POLICIES (CONTINUED)****2.14. Management charges**

Management charges are included within Administrative expenses, which are recognised in the Statement of Comprehensive Income. Management charges are expenses from management charges for services received from other Heineken UK Group undertakings. These amounts are recognised as the related services are received.

2.15. Provisions for liabilities

Provisions are made 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.

2.16. Current and deferred taxation

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.

2.17. 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.

PUNCH PARTNERSHIPS (PTL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.17. Leases (continued)

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 or less if bought new, are expensed in the income statement on a straight-line basis.

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.

2.18. Finance lease receivables

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

2.19. Lease liabilities

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.

2.20. Prior year restatement

The 2019 Statement of Financial Position has been restated to correct a classification error in relation to the presentation of amounts due from group companies and deferred taxation. Amounts due from group companies of £422,343k were determined to be intended for use on a continuing basis and have therefore been reclassified from current assets to fixed assets. Deferred tax liabilities of £42,544k have been reclassified from current liabilities to non-current liabilities, and deferred tax assets of £35,688k within fixed assets, have been reclassified and netted off against deferred tax liabilities. Following the reclassifications, net deferred tax liabilities of £6,856k are recognised within non-current liabilities. These reclassifications have no impact on the Statement of Comprehensive Income in either the current year or prior year.

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****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 of other intangibles and property, plant and equipment

At each reporting date, the company 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. 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. 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.

Details of COVID-19 driven impairment losses recognised in respect of intangibles, property, plant and equipment and assets held for sale in the pub estate are provided in note 12. The valuation methodology requires two key sources of estimation uncertainty: estimation of fair value less costs of disposal as determined by a valuation multiple and forecast cash flows. An adjustment to any of the embedded assumptions could lead to a material change in the property valuation. Sensitivity analysis of changes in valuation multiples, projected cash flows and discount rate is provided on page 25.

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.

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

- Property, plant and equipment

As part of our review of property, plant and equipment, the use of pub assets was considered and it was determined by the company that the property, plant and equipment did not meet the definition of an Investment Property and therefore are treated and discussed as property, plant and equipment in the Financial Statements. The principal reason for holding the property, plant and equipment 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 2020****3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(CONTINUED)****Critical judgements in applying the company's accounting policies (continued)**

- **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. ANALYSIS OF TURNOVER

	2020	2019
	£000	£000
Sale of goods	60,282	138,176
Rendering of services	47,188	61,302
Other revenue	2,112	4,633
	<u>109,582</u>	<u>204,111</u>

Turnover is attributable to the principal activity of the company.

All turnover arose within the United Kingdom.

5. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging:	2020	2019
	£000	£000
Distribution costs	4,269	9,942
Depreciation and impairment losses of tangible fixed assets and assets held for sale	151,966	14,241
Amortisation and impairment losses of intangible fixed assets	2,517	586
Management charges	25,872	-
Loss on disposal of property, plant and equipment	<u>5,578</u>	<u>24,231</u>

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

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****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 2020 (2019: £nil). No non-audit services were provided to the company in the current or previous year.

7. EMPLOYEES

The company has no employees (2019: none) and in line with directors' remuneration is borne by other group companies in both the current year and prior period as they are employed by other group companies.

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020	2019
	£000	£000
Interest receivable from group undertakings	54	197
Interests on lease receivable	79	130
Other interest receivable	14	48
	147	375

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020	2019
	£000	£000
Interest payable to group companies	3,692	15,285
Interest on lease liabilities	415	474
Bank interest payable	7	8
Other interest payable	10	160
	4,124	15,927

10. TAX ON (LOSS)/PROFIT

	2020	2019
	£000	£000
Corporation tax		
Current tax on (loss)/ profit for the year	-	3,367
Adjustments in respect of prior periods	-	36
Total current tax	-	3,403
Deferred tax		
Current year	(19,395)	10,221
Adjustment in respect of prior periods	620	229
Effect of changes in tax rates	807	-
Total deferred tax	(17,968)	10,450
Tax (credit)/charge on (loss)/profit	(17,968)	13,853

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****10. TAX ON (LOSS)/PROFIT****FACTORS AFFECTING TAX (CREDIT)/CHARGE FOR THE YEAR**

The tax assessed for the year is lower (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
(Loss)/Profit before tax	<u>(130,312)</u>	<u>45,456</u>
(Loss)/Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(24,759)	8,637
EFFECTS OF:		
Fixed assets differences	8,295	6,195
Additional deduction for land remediation expenditure	(28)	(42)
Expenses not deductible for tax purpose	6	-
Difference in corporation tax and deferred tax rate	-	24
Group relief claimed	(3,366)	-
Transfer pricing adjustments	384	-
Tax rate changes	880	(1,226)
Adjustments in respect of prior periods	620	265
TOTAL TAX (CREDIT)/CHARGE FOR THE YEAR	<u>(17,968)</u>	<u>13,853</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Finance (No. 2) Act 2015 and The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% would not occur and the Corporation Tax Rate was to be held at 19%. This change was substantively enacted on 17 March 2020. Deferred Tax is recognised at the rate substantively enacted at the Statement of Financial Position date and this has resulted in an increase to the deferred tax asset. In the March 2021 the UK Government announced a further increase to the main Corporation Tax Rate from 19% to 25% with effect from 1 April 2023.

As enactment of this change is after the Statement of Financial Position date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%. The company, however, expects that deferred tax assets for future financial years to be measured at the increased rate of 25%. This will result in a one-off increase to the deferred tax asset of £3,509k and an increase to the tax credit accordingly in the financial year ended 31 December 2021.

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****11. INTANGIBLE ASSETS**

	Lease premium £000
Cost or valuation	
As at 1 January 2020	21,623
Disposals	(100)
Transfer to assets held for sale (note 15)	(610)
As at 31 December 2020	<u>20,913</u>
Accumulated amortisation and impairment losses	
As at 1 January 2020	1,149
Charge for the period	534
Impairment losses	1,961
Disposals	(98)
Transfer to assets held for sale (note 15)	(47)
As at 31 December 2020	<u>3,499</u>
Net book value	
As at 31 December 2020	<u>17,414</u>
As at 31 December 2019	<u>20,474</u>

Refer to Note 12 Tangible Assets for further detail on impairment losses.

12. TANGIBLE ASSETS

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

	2020 £000	2019 £000
Freehold property, buildings and fixtures and fittings	885,991	1,026,745
Right Of Use (ROU) assets	<u>10,902</u>	<u>12,036</u>
Tangible assets	<u>896,893</u>	<u>1,038,781</u>

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****12. TANGIBLE ASSETS (CONTINUED)**

	Freehold property, buildings, fixtures and fittings £000
Cost or valuation	
As at 1 January 2020	1,055,661
Additions	21,300
Disposals	(1,685)
Transfer to assets held for sale (note 15)	(15,410)
As at 31 December 2020	<u>1,059,866</u>
Accumulated depreciation and impairment losses	
As at 1 January 2020	28,916
Charge for the period	17,058
Impairment losses	128,598
Disposals	(95)
Transfer to assets held for sale (note 15)	(602)
As at 31 December 2020	<u>173,875</u>
Net book value	
As at 31 December 2020	<u>885,991</u>
As at 31 December 2019	<u>1,026,745</u>

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

The outbreak of COVID-19 and the restrictive lockdowns put in place by the UK government significantly impacted the 2020 results of the owned pub estate. The sustained impact of governmental restrictions put in place across hospitality resulted in lower EBITDA and cash inflows, which triggered an impairment review being performed across property, plant and equipment of the pub estate. As a result, the impacted assets have been reviewed for impairment by comparing their recoverable amount to carrying values. The company considers that each of its individual pubs is a cash-generating unit (CGU).

Following the impairment tests, impairment losses of £128,598k on owned PP&E, £1,961k on Intangibles and £5,829k relating to assets held for sale were recorded in 2020 (as set out in notes 11, 12 and 15 respectively). Recoverable amount is determined as being the higher of fair value less costs to dispose (FVLCD) or value in use (VIU). FVLCD is the appropriate measure in the current year and therefore the basis for impairment across the categories of assets.

The impairments have been charged to the line Administrative expenses in the Statement of Comprehensive Income, as set out on page 7.

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****12. TANGIBLE ASSETS (CONTINUED)****Sensitivity analysis**

Changes in valuation multiple and forecast cash flows could materially impact the impairment charge recognised for property, plant and equipment.

Valuation multiple

In absence of up to date estate valuations and fair maintainable cash flows, and in order to calculate a FVLCD, an EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) multiple 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 and a multiple of 10 times (10X) is deemed a reasonable mid-point, as confirmed with external consultants and based on prior market transactions. The most significant, relevant and recent transaction in the market generated a multiple of 11.4 times (11.4X) but it was for a portfolio of sites across London and South East England which consequently attracted a premium and higher multiplier. Given our portfolio covers a wider geographical area, the directors consider the 10X multiplier used as the basis for the impairment calculation is reasonable. Based on our experience, we do not consider it probable that a reduction in this multiple could occur.

Forecast cash flows

The forecast cash flows are based on site level expected future cash flows. The directors do not believe there is any material long term impact on the valuation of the company's cash flows as a result of the COVID-19 pandemic, as evidenced by the strong bounce back in trade to pre-pandemic levels observed during the temporary lifting of trading restrictions.

Right Of Use (ROU) assets

	2020	2019
	£000	£000
Land and buildings	10,902	12,036
Carrying amount ROU assets as at 31 December	10,902	12,036

During 2020, £356k (2019: £213k) was added to the ROU assets as a result of entering into new leases which did not exist at the beginning of the year and the remeasurement of existing leases.

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

	2020	2019
	£000	£000
Depreciation		
Land and buildings	(972)	(540)
Depreciation and impairments for ROU assets as at 31 December	(972)	(540)

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****13. INVESTMENTS**

	Shares in subsidiary undertakings £000
Cost:	
As at 31 December 2020 and 31 December 2019	<u>84,200</u>
Impairment:	
As at 31 December 2020 and 31 December 2019	<u>84,200</u>
Net book value:	
As at 31 December 2020 and 31 December 2019	<u>-</u>

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

Subsidiary undertaking	Principal activity
Held directly:	
Punch Taverns (Fradley) Limited ^B	Dormant
Punch Taverns (IB) Limited ^A	Dormant
Held indirectly:	
BK Investments Limited ^C	Dormant
Inn Business Property Limited ^C	Dormant
Marr Holdings Limited ^D	Dormant
Marr Taverns Limited ^E	Dormant

The above companies are incorporated in England and Wales.

The company had a 100% indirect interest in the below 13 subsidiary companies, which were dissolved in September 2020:

- Bunker Beverage Company Limited
- Hooden Horse Inns Limited
- Inn Business (Marr) Limited
- Inn Business (Sycamore) Limited
- Inn Business Limited
- Ivell Inns Limited
- Scorpio Inns Limited
- Sycamore Taverns Limited
- The Pitfield Brewery Company Limited
- The Wiltshire Brewery Investments Limited
- The Wiltshire Brewery Property Company Limited
- Trent Taverns Limited
- United Breweries Limited.

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****13. INVESTMENTS (CONTINUED)**

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

- A Denotes a subsidiary the company has a 100% direct interest in, which an application to voluntarily strike off the subsidiary was submitted to Companies House during 2021.
- B Denotes a subsidiary the company has a 100% direct interest in, which was dissolved during 2021.
- C Denotes a subsidiary the company has a 100% indirect interest in, which the capital of the subsidiary was reduced to a de-minimis amount during 2021.
- D Denotes a subsidiary the company has a 100% indirect interest in, which an application to voluntarily strike off the subsidiary was submitted to Companies House during 2021.
- E Denotes a subsidiary the company has a 100% indirect interest in, which was dissolved during 2021.

14. DEBTORS

	2020	Restated* 2019
	£000	£000
Amounts due after more than one year		
Deferred tax asset	11,112	-
Long term prepayments and accrued income	6,983	-
Finance lease receivables	3,368	3,624
Lease receivable allowance for credit losses	(117)	-
Funding amounts owed by direct and intermediate parent undertakings and their subsidiaries	424,120	422,343
	445,466	425,967
	2020	Restated* 2019
	£000	£000
Amounts due within one year		
Trade debtors	7,537	13,874
Trade amounts owed by direct and intermediate parent undertakings and their subsidiaries	51,449	43,090
Short term lease receivable	328	473
Lease receivable allowance for credit losses	(9)	-
Other debtors	49	459
Short term prepayments and accrued income	4,124	104
	63,478	58,000

*Amounts due from group companies, and deferred tax assets, as at 31 December 2019 have been restated as set out in note 2.20.

Amounts owed by group undertakings are of a funding nature, unsecured and accrue interest at 0.2382% plus average Sterling Overnight Index Average (SONIA) (2019: 0.65% plus LIBOR) per annum. Whereas no interest is charged on balances considered of a trading nature.

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****14. DEBTORS (CONTINUED)**

Leased assets were fully sublet throughout the year and on transition to IFRS16 a finance lease receivable was recognised for future rents receivable. The average outstanding term of the lease receivables, including the long term and short-term portion of lease receivables is 7 years (2019: 7 years). No new lease arrangements were entered into during 2020.

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 7 years (2019: 7 years). 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%

None of the finance lease receivable is 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.

	2020	2019
	£000	£000
Amounts receivables under finance lease		
Less than 1 year	2,671	583
Between 1 and 5 years	1,006	2,251
Greater than 5 years	930	1,802
Undiscounted lease payments	4,607	4,636
Less unearned finance income	911	539
Present value of lease payments receivables	3,696	4,097
Lease receivable allowance for credit losses	(126)	-
Net investment in the lease	3,570	4,097

Undiscounted lease payments analysed as:

	2020	2019
	£000	£000
Recoverable after 12 months	1,936	4,053
Recoverable within 12 months	2,671	583

Net investment in the lease analysed as:

	2020	2019
	£000	£000
Recoverable after 12 months	3,251	3,624
Recoverable within 12 months	319	473

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****15. ASSETS HELD FOR SALE**

	£000
Cost or valuation	
As at 1 January 2020	6,386
Disposals	(10,190)
Transfer from tangible assets (note 12)	15,410
Transfer from intangible assets (note 11)	610
As at 31 December 2020	<u>12,216</u>
Accumulated depreciation, amortisation and impairment losses	
As at 1 January 2020	222
Impairment losses	5,829
Disposals	(419)
Transfer from tangible assets (note 12)	602
Transfer from intangible assets (note 11)	47
As at 31 December 2020	<u>6,281</u>
Net book value	
As at 31 December 2020	<u>5,935</u>
As at 31 December 2019	<u>6,164</u>

Refer to Note 12 Tangible Assets for further detail on impairment losses.

16. CREDITORS

	2020	Restated*
		2019
	£000	£000
Amounts falling due within one year		
Trade creditors	1,455	3,296
Funding amounts owed to direct and intermediate parent undertakings and their subsidiaries	857,591	866,043
Trade amounts owed to direct and intermediate parent undertakings and their subsidiaries	29,581	17,657
Other creditors	11,147	7,797
Accruals and deferred income	3,684	3,373
Social securities and other taxes	10,290	17,817
Lease liabilities	1,070	974
	<u>914,818</u>	<u>916,957</u>

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****16. CREDITORS (CONTINUED)**

	2020	2019
	£000	£000
Amounts falling due after more than one year		
Deferred tax liabilities	-	6,856
Lease liabilities	<u>12,653</u>	<u>14,310</u>
	<u>12,653</u>	<u>21,166</u>

* Deferred tax liabilities as at 31 December 2019 have been restated as set out in note 2.20.

Amounts owed to group undertakings are of a funding nature, unsecured and accrue interest at 0.2382% plus average Sterling Overnight Index Average (SONIA) (2019: 0.65% plus LIBOR) per annum. Whereas no interest is charged on balances considered of a trading nature.

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

	Contractual cash flows				
	Carrying amount	Total	Less than 1 year	1 - 5 years	More than 5 years
	£000	£000	£000	£000	£000
Lease liabilities	13,723	21,624	1,395	4,289	15,940
Total 2020	<u>13,723</u>	<u>21,624</u>	<u>1,395</u>	<u>4,289</u>	<u>15,940</u>
Total 2019	15,284	24,872	1,462	5,001	18,409

17. DEFERRED TAXATION

	Deferred tax £000
At 1 January 2020	(6,856)
Credited to the Statement of Comprehensive Income	<u>17,968</u>
At 31 December 2020	<u>11,112</u>

In respect of prior year:

	Deferred tax £000
At 1 January 2019	3,796
Charged to the Statement of Comprehensive Income	(10,221)
Changes in accounting policy (IFRS 16)	(203)
Adjustment in respect of prior years	<u>(228)</u>
At 31 December 2019	<u>(6,856)</u>

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****17. DEFERRED TAXATION (CONTINUED)**

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

	2020	2019
	£000	£000
Accelerated capital allowances	(28,341)	(42,544)
Trading losses	6,169	5,520
Other timing differences	33,284	30,168
	11,112	(6,856)

Deferred tax assets on capital losses of £115,654k (2019: £111,613k) have 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 2020	991	423	586	2,000
Provision created	12	350	671	1,033
Provision released	(45)	(67)	-	(112)
Provision utilised	-	(319)	-	(319)
At 31 December 2020	958	387	1,257	2,602

19. CALLED-UP SHARE CAPITAL

	2020	2019
	£000	£000
Authorised, allotted, called up and fully paid		
1,001,403 (2019: 1,001,403) Ordinary shares of £1 (2019: £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.

PUNCH PARTNERSHIPS (PTL) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****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, relates to property owned and leased by the company and income is received through the Statement of Comprehensive Income. Operating lease terms range from lease terms of 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 2020 the company had future minimum lease income under non-cancellable operating leases as follows:

	2020	2019
	£000	£000
Not later than 1 year	36,132	39,488
Later than 1 year and not later than 5 years	90,248	106,709
Later than 5 years	97,833	323,668
TOTAL	224,213	469,865

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 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 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 N.V., Tweede Weteringplantsoen 21, 1017 ZD, Amsterdam, The Netherlands, which is also the 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, which is also its registered office.

23. POST BALANCE SHEET EVENTS

Subsequent to the reporting date, the remaining share of the below group entities were transferred to the company from other group undertakings as part of an ongoing project to simplify the UK Group corporate structure:

- Agnew Stores (Holdings) Limited
- BK Investments Limited
- Inn Business Property Limited
- Punch Taverns (VPR) Limited
- Tetley Walker Limited
- Tolchard & Son Limited.