

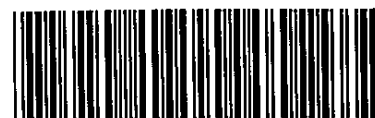
Registered No.  
3720775

**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR**

**PUNCH TAVERNS (PMH) LIMITED**

**52 week period ended 21 August 2010**

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COMPANIES HOUSE

**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**DIRECTORS**

E Bashforth	appointed	18 Jun 2010
S Dando	appointed	06 Sep 2010
P Dutton		
N Preston	resigned	18 Jun 2010
G Thorley	resigned	06 Sep 2010

Wilmington Trust SP Services Limited

**SECRETARY**

C Stewart

**AUDITORS**

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

**BANKERS**

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

**SOLICITORS**

Slaughter & May  
One Bunhill Row  
London  
EC1Y 8YY

**REGISTERED OFFICE**

Jubilee House  
Second Avenue  
Burton upon Trent  
Staffordshire  
DE14 2WF

# **Punch Taverns (PMH) Limited**

## **Period ended 21 August 2010**

### **DIRECTORS' REPORT**

**Registered No. 3720775**

The directors present their report and financial statements for the 52 week period ended 21 August 2010

### **RESULTS AND DIVIDENDS**

The loss after taxation for the 52 week period amounted to £7,607,000 (52 week period ended 22 August 2009 loss after taxation of £110,397,000) The directors do not propose the payment of a final dividend (2009 £nil)

Before exceptional items, the group has made a profit after taxation of £50,324,000 (2009 £67,950,000)

### **PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The principal activity of the company is that of a holding company The principal activity of the group is the leasing of public houses to independent publicans and the wholesale supply of beer products to lessees During the period, the company repurchased £190,551,000 of the nominal value of outstanding securitised debt, of which £32,484,000 remained uncanceled at the year end

During the period, operating margin has benefited by £22,484,000 from support provided by the Punch Taverns plc group

The directors are satisfied with the performance of the group in the period and believe that the group is well placed for the future

Punch Taverns manages its operations at a group level and the directors therefore believe that disclosure of key performance indicators for the Punch Taverns (PMH) Limited group are not appropriate to understand the development, performance or position of the business The performance of the Punch Taverns group is discussed in the Punch Taverns plc Annual Report and Financial Statements which are publicly available

### **RISKS AND UNCERTAINTIES**

The principal risks and uncertainties of the company, which are in line with those of the Punch Taverns group, are discussed in the Punch Taverns plc Annual Report and Financial Statements

#### **Liquidity risk**

The group is primarily financed by secured loan notes, with 85% (2009 85%) of the capital balance on these loan notes being repayable after more than 5 years from the balance sheet date, subject to relevant covenants being met The board continues to review alternative sources of finance Further information on how the group manages its liquidity risk is provided in note 19 to the financial statements

#### **Interest rate risk**

The group is exposed to interest rate risk from its loan notes and borrows at both fixed and floating rates of interest The group employs derivative financial instruments such as interest rate swaps to generate the desired interest rate profile Further information on how the group manages its interest rate risk is provided in note 19 to the financial statements

#### **Capital risk**

The group's capital structure is made up of loan notes, issued share capital and reserves The group is able to generate sufficient returns to service the debt Debt is monitored by a variety of measures which are reported to debt providers on a quarterly basis

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

**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**DIRECTORS' REPORT (continued)**

**DIRECTORS**

The directors of the company who served during the period are listed previously

A third party indemnity provision (as defined in section 234 of the Companies Act 2006) is in force for the benefit of the directors

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

During the period, the company made no charitable contributions (2009 £nil) The company made no political contributions during the period (2009 £nil)

**CREDITOR PAYMENT POLICY AND PRACTICE**

It is the company policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with

At 21 August 2010, the company had an average of nil days (2009 nil days) purchases outstanding in trade creditors

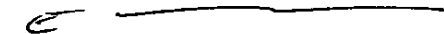
**AUDIT INFORMATION**

The directors confirm that, so far as they are aware, there is no relevant audit information of which the auditors are unaware and that each director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

**AUDITORS**

The company has elected to dispense with the obligation to appoint auditors annually under section 487 of the Companies Act 2006

On behalf of the board



E Bashforth  
Director  
17 December 2010

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**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 group will continue in business

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF PUNCH TAVERNS (PMH) LIMITED**

We have audited the group and parent company financial statements of for the period ended which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group Balance Sheet, the Company Balance Sheet, the Group Cash Flow Statement and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on the previous page, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

**Opinion on financial statements**

In our opinion, the financial statements

- give a true and fair view of the state of the group and company's affairs as at 21 August 2010 and of its loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

17 December 2010

# Punch Taverns (PMH) Limited

Period ended 21 August 2010

## GROUP PROFIT & LOSS ACCOUNT

for the 52 week period ended 21 August 2010

52 week period ended 21 August 2010				52 week period ended 22 August 2009		
Notes	Before exceptional items £000	Exceptional Items (note 4) £000	Total £000	Before exceptional items £000	Exceptional items (note 4) £000	Total £000
<b>TURNOVER</b>	223,471	-	223,471	259,356	-	259,356
Cost of sales	(68,144)	-	(68,144)	(92,436)	-	(92,436)
<b>GROSS PROFIT</b>	<u>155,327</u>	<u>-</u>	<u>155,327</u>	<u>166,920</u>	<u>-</u>	<u>166,920</u>
Administrative expenses	(25,839)	(16,443)	(42,282)	(30,308)	(16,935)	(47,243)
Loss on impairment of investments	-	(1,849)	(1,849)	-	-	-
<b>OPERATING PROFIT / (LOSS)</b>	<u>129,488</u>	<u>(18,292)</u>	<u>111,196</u>	<u>136,612</u>	<u>(16,935)</u>	<u>119,677</u>
Loss on disposal of fixed assets	-	(18,913)	(18,913)	-	(132,712)	(132,712)
Interest receivable and similar income	417	3,986	4,403	1,251	18,148	19,399
Interest payable and similar charges	(68,518)	(10,376)	(78,894)	(76,624)	(21,459)	(98,083)
Subordinated loan interest	-	(27,796)	(27,796)	-	(26,065)	(26,065)
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<u>61,387</u>	<u>(71,391)</u>	<u>(10,004)</u>	<u>61,239</u>	<u>(179,023)</u>	<u>(117,784)</u>
Tax on loss on ordinary activities	(11,063)	13,460	2,397	6,711	676	7,387
<b>PROFIT / (LOSS) FOR THE PERIOD</b>	<u><u>50,324</u></u>	<u><u>(57,931)</u></u>	<u><u>(7,607)</u></u>	<u><u>67,950</u></u>	<u><u>(178,347)</u></u>	<u><u>(110,397)</u></u>

The profit and loss account relates to continuing activities

**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the 52 week period ended 21 August 2010

	52 week period ended 21 August 2010 £000	52 week period ended 22 August 2009 £000
Loss for the period after taxation	(7,607)	(110,397)
<b>Profit and losses recognised directly in equity</b>		
Actuarial gain / (loss) recognised under FRS 17	4,000	(7,300)
Deferred tax on actuarial (gain) / loss	(1,120)	2,044
	<u>2,880</u>	<u>(5,256)</u>
Losses on cash flow hedges	(17,319)	(29,473)
Transfers to the profit and loss account on cash flow hedges	5,099	21,797
Tax on items taken directly to equity	3,422	1,726
Net losses on cash flow hedges	<u>(8,798)</u>	<u>(5,950)</u>
Unrealised (deficit) / surplus on revaluation of fixed assets	(74,330)	13,946
Total losses since the last report	<u><u>(87,855)</u></u>	<u><u>(107,657)</u></u>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**  
for the 52 week period ended 21 August 2010

	52 week period ended 21 August 2010 £000	52 week period ended 22 August 2009 £000
Reported loss before taxation	(10,004)	(117,785)
Realisation of property revaluation gains of prior periods	20,792	17,714
Difference between historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	69	65
Historical cost profit / (loss) on ordinary activities before taxation	<u>10,857</u>	<u>(100,006)</u>
Historical cost profit / (loss) for the period retained after taxation	<u><u>13,254</u></u>	<u><u>(92,619)</u></u>



**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**GROUP BALANCE SHEET**  
as at 21 August 2010

	<i>Notes</i>	21 August 2010 £000	22 August 2009 £000
<b>FIXED ASSETS</b>			
Goodwill	10	(14,683)	(15,664)
Tangible fixed assets	12	1,313,990	1,490,643
		<u>1,299,307</u>	<u>1,474,979</u>
<b>CURRENT ASSETS</b>			
Other current asset investments	13	32,484	16,940
Debtors amounts falling due in less than one year	14	44,626	76,366
Debtors amounts falling due after more than one year	14	223,634	231,853
Cash at bank and in hand		37,069	141,863
		<u>337,813</u>	<u>467,022</u>
<b>CREDITORS</b> amounts falling due in less than one year	15	(101,679)	(136,610)
<b>NET CURRENT ASSETS</b>		<u>236,134</u>	<u>330,412</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,535,441</u>	<u>1,805,391</u>
<b>CREDITORS:</b> amounts falling due after more than one year	16	(1,233,593)	(1,412,577)
<b>PROVISIONS FOR LIABILITIES</b>	18	(10,854)	(10,816)
<b>PENSION - DEFINED BENEFIT SCHEME LIABILITY</b>	20	(6,643)	(9,792)
<b>NET ASSETS</b>		<u>284,351</u>	<u>372,206</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	21	84,000	84,000
Revaluation reserve	22	340,502	384,912
Hedge reserve	22	(15,952)	(7,154)
Other capital reserves	22	7,647	7,647
Profit and loss account	22	(131,846)	(97,199)
<b>SHAREHOLDERS' FUNDS</b>	22	<u>284,351</u>	<u>372,206</u>

  
E Bashforth  
17 December 2010

**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**COMPANY BALANCE SHEET**  
as at 21 August 2010

	<i>Notes</i>	21 August 2010 £000	22 August 2009 £000
<b>FIXED ASSETS</b>			
Investments	11	175,647	175,647
		<u>175,647</u>	<u>175,647</u>
<b>CURRENT ASSETS</b>			
Debtors amounts falling due after more than one year	14	5,700	5,700
<b>NET CURRENT ASSETS</b>		<u>5,700</u>	<u>5,700</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>181,347</u>	<u>181,347</u>
<b>CREDITORS:</b> amounts falling due after more than one year	16	(5,700)	(5,700)
<b>NET ASSETS</b>		<u><u>175,647</u></u>	<u><u>175,647</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	84,000	84,000
Share premium	22	91,647	91,647
<b>SHAREHOLDERS' FUNDS</b>	22	<u><u>175,647</u></u>	<u><u>175,647</u></u>

The financial statements were approved and authorised for issue by the board and signed on its behalf on 17 December 2010

  
E Bashforth  
Director

**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**GROUP CASH FLOW STATEMENT**

for the 52 week period ended 21 August 2010

	<i>Notes</i>	52 week period ended 21 August 2010 £000	52 week period ended 22 August 2009 £000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	27	106,363	139,459
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest paid		(67,722)	(75,908)
Interest received		388	1,438
		<u>(67,334)</u>	<u>(74,470)</u>
<b>TAXATION PAID</b>		(6,127)	-
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire tangible fixed assets		(17,218)	(8,701)
Receipts from sale of tangible fixed assets		85,309	80,683
		<u>68,091</u>	<u>71,982</u>
<b>NET CASH INFLOW BEFORE FINANCING</b>		<u>100,993</u>	<u>136,971</u>
<b>FINANCING</b>			
Loans repaid		(180,837)	(21,406)
Termination of financing arrangements		(20,910)	-
Payments made to other group undertakings		(4,040)	(52,700)
		<u>(205,787)</u>	<u>(74,106)</u>
<b>NET (DECREASE) / INCREASE IN CASH IN THE PERIOD</b>	27	<u><u>(104,794)</u></u>	<u><u>62,865</u></u>

**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 21 August 2010

**1 ACCOUNTING POLICIES**

***Basis of preparation***

With the exception of derivative financial instruments which are measured at fair value, the financial statements are prepared under the historical cost convention, as modified by the revaluation of certain properties within the group. The financial statements are prepared in accordance with applicable UK accounting standards.

In accordance with FRS 18 the directors have continued to review the accounting policies.

There have been no changes to accounting policies during the period.

***Basis of consolidation***

The financial statements consolidate the accounts of Punch Taverns Holdings Limited and its subsidiary undertakings drawn up to the 21 August 2010. No profit or loss account is presented for Punch Taverns (PMH) Limited as permitted by s408 of the Companies Act 2006. The company made a result after taxation of £nil in the 52 week period ended 21 August 2010 (52 week period ended 22 August 2009: result after taxation of £nil).

***Fundamental accounting concept – going concern***

The directors of the company have reviewed cash flow forecasts for the group and have identified the need for financial support from the wider Punch Taverns plc group. In this respect the ultimate parent has indicated that it will support the company for a period of at least one year following the date of approval of these financial statements and in particular will not recall group debt until all other liabilities have been settled and the company has funds to make the repayment. Therefore, in considering the going concern position of the company and the group the directors of the company have considered the financing position of the Punch Taverns plc group. After making appropriate enquiries, the directors are satisfied that the ultimate parent has the intent and the ability to provide the support as indicated. As with any company placing reliance on group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue. However, at the date of approval of these financial statements, they have no reason to believe that it will not do so. For this reason, the financial statements have been prepared on a going concern basis.

***Revenue recognition***

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax. Rents receivable are recognised on a straight-line basis over the lease term. Revenue in respect of drink and food sales is recognised at the point at which the goods are provided. Turnover is derived solely within the United Kingdom.

***Goodwill***

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the fair value of the group's share of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is amortised. Amortisation is charged to the profit and loss account on a straight-line basis over 20 years. Where assets are transferred between segments or disposed, the goodwill attributable to these assets is also transferred or charged to the profit and loss account respectively. Where negative goodwill arises, this is amortised over 20 years.

***Fixed asset investments***

Investments are stated at cost, less provision for impairment in value. The carrying value of investments is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

***Significant accounting estimates and judgements***

The estimates and judgements that have a significant effect on the amounts recognised in the financial statements are detailed below.

***Impairment of property, plant and equipment***

Property, plant and equipment are reviewed for impairment if circumstances suggest that the carrying amount may not be recoverable. Recoverable amounts are determined based on value-in-use calculations.

***Post-employment benefits***

The present value of defined benefit pension liabilities are determined on an actuarial basis and depend on a number of actuarial assumptions. Any change in these assumptions could impact the carrying amounts of pension liabilities.

**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 21 August 2010

**1 ACCOUNTING POLICIES**

***Tangible fixed assets and depreciation***

***Valuation***

Trading properties are revalued professionally by independent valuers on a five-year rolling basis

Surpluses arising from the professional valuation are taken directly to the revaluation reserve. Valuation surpluses realised on sale are transferred from the revaluation reserve to the profit and loss account reserve.

Any deficit arising from the professional valuation of properties is taken directly to the revaluation reserve until the carrying amount reaches historical cost and thereafter to the extent that the value in use can be demonstrated to be higher than valuation. Any other deficit arising is charged to the profit and loss account.

***Depreciation***

Depreciation is charged on a straight-line basis on freehold and long leasehold buildings over the estimated useful life of the asset. It is the group's policy to maintain the properties comprising the licensed estate in such a condition that the residual values of the properties, based on prices prevailing at the time of acquisition or subsequent revaluation, are at least equal to their book values. As a result, the depreciation charged on freehold and long leasehold buildings is nil.

It is the opinion of the directors that it is not practical or appropriate to separate from the value of the buildings the value of long life fixtures and fittings, which are an integral part of the buildings. This approach is supported by the opinion of an independent external adviser.

Landlord's fixtures and fittings include removable items, which are generally regarded as within landlord ownership. These are depreciated in accordance with the policy detailed below.

Depreciation is provided on other tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life, as follows:

Leasehold properties	- 50 years or over the lease
Landlord's fixtures and fittings	- 5 years

An annual impairment review is carried out on such properties in accordance with FRS 11 and FRS 15.

***Taxation***

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future have occurred at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 21 August 2010

**1 ACCOUNTING POLICIES**

***Pensions***

The group operates the Pubmaster defined benefit pension scheme

***Defined contribution pension scheme***

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

***Provisions***

Provisions are recognised when the group has a present legal or constructive obligation to transfer economic resources as a result of past events.

Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. Provisions are discounted if the effect of the time value of money is material. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

***Leasing commitments***

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

***Accounting for derivative financial instruments and hedging activities***

The group uses derivative financial instruments such as interest rate swaps to hedge its risk associated with interest rate fluctuations. Such derivative financial instruments are initially accounted for and subsequently re-measured to fair value. The fair value of the interest rate swap contracts is determined by reference to market values for similar instruments.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges where they hedge exposure to variability in forecast transactions.

The group documents at the inception of the transaction the relationship between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

***Cash flow hedges***

The effective portion of changes in the fair value of derivatives that are designated as and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

Amounts accumulated in equity are recycled in the profit and loss account in the periods when the hedged item will affect profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the profit and loss account immediately. The replacement or rollover of a hedging instrument into another hedging instrument is not an expiry, sale or termination where such replacement or rollover is part of the documented hedging strategy.

***Derivatives that do not qualify for hedge accounting***

Changes in fair value of any derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss account.

***Exceptional items***

In order to provide a trend measure of underlying performance, profit is presented excluding items which management consider will distort comparability, either due to their significant nature or as a result of specific accounting treatments. Further detail on the nature of exceptional items is included in note 4.

**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 21 August 2010

**2 TURNOVER**

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax. Rents receivable are recognised on a straight-line basis over the lease term. Revenue in respect of drink and food sales is recognised at the point at which the goods are provided. Turnover is derived solely within the United Kingdom.

Turnover includes

	52 week period ended 21 August 2010 £000	52 week period ended 22 August 2009 £000
Rental income	58,209	71,433

**3 OPERATING PROFIT**

This is stated after charging

	52 week period ended 21 August 2010 £000	52 week period ended 22 August 2009 £000
Depreciation - owned fixed assets	5,149	5,909
Operating lease rentals - land and buildings	1,199	1,748

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

**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**4 EXCEPTIONAL ITEMS**

	52 week period ended 21 August 2010 £000	52 week period ended 22 August 2009 £000
<b>Included within administrative expenses.</b>		
Redundancy and other related one-off costs	166	2,416
Impairment of tangible fixed assets	15,770	14,519
Onerous property leases	507	-
	<u>16,443</u>	<u>16,935</u>
<b>Included within loss on impairment of investments</b>	1,849	-
<b>Included within fixed asset disposals.</b>		
Loss on disposal of fixed assets <sup>1</sup>	18,913	132,712
<b>Included within interest receivable and similar income</b>		
Exceptional interest receivable <sup>2</sup>	(3,986)	(18,148)
<b>Included within interest payable and similar income</b>		
Cost of terminating financing arrangements	40	-
Movement in fair value of interest rate swaps	10,336	21,459
	<u>10,376</u>	<u>21,459</u>
<b>Subordinated loan interest payable</b> <sup>3</sup>	27,796	26,065
<b>Tax relief on exceptional items</b>	<u>(13,460)</u>	<u>(676)</u>
	<u>57,931</u>	<u>178,347</u>

<sup>1</sup> In accordance with FRS 11, the prior period includes an impairment loss of £98,193,000 on tangible fixed assets intended for sale. The impairment was first identified when the decision to sell was made and is attributable to that decision.

<sup>2</sup> Represents profit on the purchase of loan notes by Punch Taverns Finance B Limited.

<sup>3</sup> Subordinated loan interest payable is capitalising interest expense on intergroup borrowings. The size and nature of this interest, being a quasi equity instrument, has been presented separately in order to provide a clearer presentation of the interest expense of the group.

**5 DIRECTORS' EMOLUMENTS AND STAFF COSTS**

A management charge of £17,354,000 (2009: £16,918,000) has been made by Punch Partnerships (PTL) Limited, which includes directors' emoluments and salary costs which are not separately identified within the total management fee.

The company had no employees during the current or preceding periods.



**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 21 August 2010

**6 INTEREST RECEIVABLE AND SIMILAR INCOME**

	52 week period ended 21 August 2010 £000	52 week period ended 22 August 2009 £000
Bank interest receivable	415	1,229
Other interest receivable	2	22
Exceptional interest receivable (note 4)	3,986	18,148
	<u>4,403</u>	<u>19,399</u>

**7 INTEREST PAYABLE AND SIMILAR CHARGES**

	52 week period ended 21 August 2010 £000	52 week period ended 22 August 2009 £000
Bank and other loans	66,493	74,480
Other finance costs	608	390
Amortisation of deferred issue costs	1,190	1,371
Unwinding of discount effect of provision	49	11
Cost of terminating financing arrangements (note 4)	40	-
Interest payable on tenants' deposits	178	372
Movement in fair value of interest rate swaps (note 4)	10,336	21,459
	<u>78,894</u>	<u>98,083</u>

**8 SUBORDINATED LOAN INTEREST PAYABLE**

	52 week period ended 21 August 2010 £000	52 week period ended 22 August 2009 £000
Subordinated loan interest payable to group undertakings	<u>27,796</u>	<u>26,065</u>

**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 21 August 2010

**9 TAXATION**

	52 week period ended 21 August 2010 £000	52 week period ended 22 August 2009 £000
The tax credit for the period comprises		
UK corporation tax		
- current period group relief (surrendered) / receivable	(5,588)	2,199
- adjustments in respect of prior periods	(147)	(9,248)
	<u>(5,735)</u>	<u>(7,049)</u>
Deferred tax		
- relating to pension costs under FRS 17	231	(28)
- current period charge	1,102	6,339
- relating to fair value of interest rate swaps under FRS 26	2,961	(6,009)
- change in standard rate of tax	(365)	-
- adjustments in respect of prior periods	(591)	(640)
	<u>3,338</u>	<u>(338)</u>
Total tax credit for the period	<u><u>(2,397)</u></u>	<u><u>(7,387)</u></u>
<b>Reconciliation of tax credits</b>		
	52 week period ended 21 August 2010 £000	52 week period ended 22 August 2009 £000
Loss on ordinary activities before taxation	<u>(10,004)</u>	<u>(117,784)</u>
Loss on ordinary activities at standard rate of corporation tax in the UK of 28.00% (2009: 28.00%)	(2,801)	(32,980)
Effects of		
Short term timing differences	(3,202)	5,936
Loss on disposal of fixed assets	5,296	9,664
Income / (expenses) not chargeable / (deductible) for tax purposes	(3,880)	25,816
Capital allowances in excess of depreciation	(941)	(5,545)
Utilisation of tax losses brought forward	(60)	(692)
Adjustments in respect of prior periods	(147)	(9,248)
Total current tax credit	<u><u>(5,735)</u></u>	<u><u>(7,049)</u></u>

**Punch Taverns (PMH) Limited**

**Period ended 21 August 2010**

**NOTES TO THE FINANCIAL STATEMENTS**

for the 52 week period ended 21 August 2010

**10 INTANGIBLE ASSETS**

	<b>Negative goodwill £000</b>
<b>Cost</b>	
As at 22 August 2009	(19,628)
Additions	-
Disposals	-
As at 21 August 2010 and 22 August 2009	<u>(19,628)</u>
<b>Amortisation:</b>	
As at 22 August 2009	(3,964)
Credit for the period	(981)
As at 21 August 2010	<u>(4,945)</u>
<b>Net book amount</b>	
As at 21 August 2010	<u>(14,683)</u>
As at 22 August 2009	<u>(15,664)</u>

Negative goodwill arising on previous acquisitions are released to the profit and loss account by equal installments over a 20 year period being the approximate average life of the underlying non-monetary assets at the date of acquisition

The company has no intangible assets

## **Punch Taverns (PMH) Limited**

**Period ended 21 August 2010**

### **NOTES TO THE FINANCIAL STATEMENTS**

for the 52 week period ended 21 August 2010

#### **11 FIXED ASSET INVESTMENTS**

**Company**

**Shares in  
subsidiary  
undertakings  
£000**

##### **Cost and net book value.**

As at 21 August 2010 and 22 August 2009

175,647

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

##### **Subsidiary undertaking**

##### **Principal activity**

##### ***Held directly***

Punch Partnerships (PML) Limited  
Punch Taverns Finance B Limited

Pub operating company  
Financing company

Exemption has been taken to exclude subsidiary undertakings from the above disclosure, whose results or financial position do not principally affect the financial statements

The above companies are incorporated in England and Wales with the exception of Punch Taverns Finance B Limited, which is incorporated in the Cayman Islands

**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 21 August 2010

**12 TANGIBLE FIXED ASSETS**

	Land and buildings £000	Fixtures and fittings £000	Total £000
<b>Cost</b>			
As at 22 August 2009	1,495,114	46,717	1,541,831
Additions	13,388	5,173	18,561
Disposals	(96,901)	(7,130)	(104,031)
Revaluation	(90,632)	-	(90,632)
As at 21 August 2010	<u>1,320,969</u>	<u>44,760</u>	<u>1,365,729</u>
<b>Depreciation</b>			
As at 22 August 2009	17,680	33,508	51,188
Charge for the year	681	4,468	5,149
Eliminated on disposals	(129)	(3,938)	(4,067)
Revaluation	(531)	-	(531)
As at 21 August 2010	<u>17,701</u>	<u>34,038</u>	<u>51,739</u>
<b>Net book value</b>			
As at 21 August 2010	<u>1,303,268</u>	<u>10,722</u>	<u>1,313,990</u>
As at 22 August 2009	<u>1,477,434</u>	<u>13,209</u>	<u>1,490,643</u>

The split of the net book value of land and buildings is as follows

	Freehold £000	Long leasehold £000	Short leasehold £000	Total £000
As at 21 August 2010	<u>1,256,053</u>	<u>37,212</u>	<u>10,003</u>	<u>1,303,268</u>
As at 22 August 2009	<u>1,423,489</u>	<u>44,330</u>	<u>9,615</u>	<u>1,477,434</u>

## Punch Taverns (PMH) Limited

Period ended 21 August 2010

### NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 21 August 2010

#### 12 TANGIBLE FIXED ASSETS

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

	Total £000
Cost	1,094,829
Accumulated depreciation	(3,673)
Net book value at 21 August 2010	<u>1,091,156</u>
Net book value at 22 August 2009	<u>1,205,234</u>

The company's policy is to carry properties within the estate at valuation. Therefore, the estate is revalued professionally by independent valuers on a five-year rolling basis. The valuation is performed in accordance with market practice by Humberts Leisure Limited, Chartered Surveyors, acting as external valuers. At 21 August 2010, 379 properties (August 2009 418) were revalued resulting in a reduction in net assets of £7,433,000 (August 2009 £11,008,000), representing a 3.0% reduction (August 2009 4.2%) on those properties revalued.

Surpluses arising from the professional valuation of the estate are taken directly to the revaluation reserve. Deficits are taken directly to the revaluation reserve until the carrying amount reaches historic cost and thereafter to the extent that the value in use can be demonstrated to be higher than valuation. Any other deficit is charged to the profit and loss account.

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

In the prior period a further 411 properties earmarked for disposal were also revalued resulting in a reduction in net assets of £109,775,000. Of the £109,775,000, £11,582,000 was taken to the revaluation reserve to eliminate revaluation gains of prior periods, and £98,193,000 was taken to the profit and loss account in the current period.

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

The company has no tangible fixed assets.

## **Punch Taverns (PMH) Limited**

**Period ended 21 August 2010**

### **NOTES TO THE FINANCIAL STATEMENTS**

for the 52 week period ended 21 August 2010

#### **13 CURRENT ASSET INVESTMENTS**

	<b>Other investments £000</b>
<b>Cost</b>	
As at 22 August 2009	16,940
Additions	17,301
Repayments	(1,757)
As at 21 August 2010	<u>32,484</u>
<b>Cost and net book value:</b>	
As at 21 August 2010	<u>32,484</u>
As at 22 August 2009	<u>16,940</u>

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

**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 21 August 2010

**14 DEBTORS**

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
<b>Amounts falling due in less than one year</b>				
Trade debtors	11,095	17,829	-	-
Amounts due from other companies in the Punch Taverns plc group	31,638	55,794	-	-
Prepayments and accrued income	1,893	2,743	-	-
	<u>44,626</u>	<u>76,366</u>	<u>-</u>	<u>-</u>
<b>Amounts falling due after more than one year</b>				
	2010	2009	2010	2009
	£000	£000	£000	£000
Loans due from other companies in the Punch Taverns plc group	223,527	223,527	5,700	5,700
Amounts due from other companies in the Punch Taverns plc group	107	8,326	-	-
	<u>223,634</u>	<u>231,853</u>	<u>5,700</u>	<u>5,700</u>

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

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

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Loans (note 17) <sup>1</sup>	28,408	24,046	-	-
Trade creditors	3,398	1,222	-	-
Amounts owed to other companies in the Punch Taverns plc group	29,845	64,131	-	-
Other creditors	10,978	12,044	-	-
Accruals and deferred income	17,341	20,290	-	-
Social security and other taxes	4,604	8,750	-	-
Corporation tax	-	6,127	-	-
Derivative financial instruments	7,105	-	-	-
	<u>101,679</u>	<u>136,610</u>	<u>-</u>	<u>-</u>

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

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

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Loans (note 17) <sup>1</sup>	1,000,379	1,185,704	-	-
Loans owed to other companies in the Punch Taverns plc group	199,483	175,727	-	-
Amounts owed to other companies in the Punch Taverns plc group	4,988	16,944	5,700	5,700
Derivative financial instruments	28,743	34,202	-	-
	<u>1,233,593</u>	<u>1,412,577</u>	<u>5,700</u>	<u>5,700</u>

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

Loans owed to other companies in the Punch Taverns plc group relate to a subordinated loan with Punch Taverns (PRAF) Limited Interest accrues at 15% and is capitalised quarterly in arrears



**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**17 LOANS**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>Loan maturity analysis</b>		
Amounts repayable by instalments falling due		
In less than one year	29,451	25,393
Between one and two years	29,994	35,365
Between two and five years	98,056	117,265
In five years or more	880,120	1,043,057
Less deferred issue costs	(8,834)	(11,330)
	<u>1,028,787</u>	<u>1,209,750</u>
 <b>Class A3</b> secured notes repayable by June 2022 at 7.369% per annum	201,000	201,000
<b>Class A6</b> secured notes repayable by December 2024 at 5.943% per annum	220,000	220,000
<b>Class A7</b> secured notes repayable by June 2033 at 4.767% per annum	224,608	250,000
<b>Class A8</b> secured floating rate notes repayable by June 2033 at LIBOR <sup>1</sup> + 0.28% until June 2015 and LIBOR <sup>1</sup> + 0.7% thereafter	64,513	222,580
<b>Class B1</b> secured notes repayable by June 2025 at 8.44% per annum	77,500	77,500
<b>Class B2</b> secured notes repayable by June 2028 at 6.962% per annum	125,000	125,000
<b>Class C</b> secured floating rate notes repayable by June 2035 at LIBOR <sup>1</sup> + 1.1% until June 2015 and LIBOR <sup>1</sup> + 2.75% thereafter	125,000	125,000
	<u>1,037,621</u>	<u>1,221,080</u>
Less deferred issue costs	(8,834)	(11,330)
	<u>1,028,787</u>	<u>1,209,750</u>

During the period, the group redeemed Class A8 notes with a nominal value of £158,067,000 (2009 £27,420,000)

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

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

**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 21 August 2010

**18 PROVISIONS FOR LIABILITIES**

	Property provisions £000	Deferred taxation £000	Total £000
As at 22 August 2009	644	10,172	10,816
Utilised during the period	(175)	-	(175)
Unwinding of discount effect of provisions	49	-	49
Charged to the profit and loss account	1,158	3,107	4,265
Credited direct to equity	-	(3,422)	(3,422)
Released in the period	(679)	-	(679)
As at 21 August 2010	<u>997</u>	<u>9,857</u>	<u>10,854</u>

The property provision has been set up to cover operating costs of vacant or loss making premises. The provision covers the expected shortfall between operating income and rents payable. Payments are expected to be ongoing on these properties for a number of years.

The company has no provisions.

	2010 £000	2009 £000
The deferred tax balance consists of		
Depreciation in excess of capital allowances	21,763	22,220
Interest rate swaps	(9,679)	(9,577)
Losses recognised	(780)	(869)
Short term timing differences	(1,447)	(1,602)
	<u>9,857</u>	<u>10,172</u>

The amount of deferred tax that has not been provided on revalued fixed assets subject to rollover relief is estimated to be £33,182,000 (2009 £47,800,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

A deferred taxation asset, which has not been recognised on the basis that the directors do not consider there to be sufficient certainty of this asset crystallising in the foreseeable future is as follows:

	Unprovided 2010 £000	2009 £000
Non-trade loan relationship losses	631	653
Management expenses	13	13
	<u>644</u>	<u>666</u>

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of four years from 2011. The first reduction in the rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011. This will reduce the Group's future current tax charge accordingly. As the rate change was substantively enacted prior to the year end, the reduced rate has been included in the calculation of deferred tax assets and liabilities. Had further tax rate changes been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax liability recognised at that date by £365,000 per percentage point reduction.

# Punch Taverns (PMH) Limited

Period ended 21 August 2010

## NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 21 August 2010

### 19 DERIVATIVE FINANCIAL INSTRUMENTS

All derivative financial instruments are held on the balance sheet at fair value, the effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are recycled in the profit and loss account in the periods when the hedged item will affect profit or loss. Changes in fair value of any derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss account.

The group's principal financial instruments other than derivative financial instruments comprise borrowings, loans to other companies in the Punch Taverns plc group and cash. The main purpose of these financial instruments is to raise finance for the Punch Taverns plc group operations.

The group enters into derivatives transactions. The purpose of such transactions is to manage the interest rate risks arising from the group's sources of finance. It is, and has been throughout the period under review, the group's policy that no speculative trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest rate risk and liquidity risk. There is no currency exposure as all material transactions and financial instruments are in sterling. The board reviews and agrees policies for each of these risks and they are summarised below.

#### **Interest rate risk**

The group primarily finances its operations through term loans. The group borrows at both fixed and floating rates of interest and then uses interest rate swaps to generate the desired interest profile and to manage the group's exposure to interest rate fluctuations. The cash balances attract interest at floating rates.

#### **Liquidity risk**

As regards liquidity, the group is primarily financed by term loans, with 85% (2009: 85%) of the capital balance on these term loans being repayable after more than 5 years from the balance sheet date, subject to relevant covenants being met. The board continues to review alternative sources of finance.

Cash balances are invested in short term deposits.

#### **Derivative financial instruments**

The carrying values of derivative financial instruments in the balance sheet are as follows:

Creditors: amounts falling due in less than one year	2010 £000	2009 £000
Interest rate swaps	(7,105)	-
Creditors: amounts falling due after more than one year	2010 £000	2009 £000
Interest rate swaps	(28,743)	(34,202)

The interest rate swaps replace the LIBOR rate on the company's secured floating rate term loans with a fixed rate. The capital amount of the swaps reduces over time to match the contractual repayment profile of the associated notes over their life. With the exception of the Class A8 notes, the interest rate swaps qualify as, and are treated as, cash flow hedges in accordance with FRS 26 and movements in their fair values are recognised directly in equity.

The company has no derivative financial instruments.

# Punch Taverns (PMH) Limited

Period ended 21 August 2010

## NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 21 August 2010

### 20 PENSION - DEFINED BENEFIT SCHEME LIABILITY

Pension deficit	2010 £000	2009 £000
Liability brought forward	13,600	6,200
Charged to the profit and loss account	600	200
Cash payments during the period	(1,100)	(100)
Actuarial (gain) / loss	(4,000)	7,300
Liability before deferred tax	9,100	13,600
Deferred tax asset	(2,457)	(3,808)
Liability net of deferred tax	6,643	9,792

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

The tables below illustrate the impact of defined benefit schemes on the profit and loss account and the balance sheet. The information presented is that which was calculated in accordance with IAS 19 for the purpose of the Punch Taverns plc group.

Analysis of the amounts charged to operating costs	2010 £000	2009 £000
Current service cost	(100)	(100)

Analysis of the amounts charged to other finance costs	2010 £000	2009 £000
Expected return on scheme assets	2,500	3,000
Interest on scheme liabilities	(3,000)	(3,100)
Net charge	(500)	(100)

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

	2010 £000	2009 £000
Actual return on assets	900	-
Expected return on assets	2,500	(3,200)
Experience gain / (loss) on liabilities	600	(4,100)
Actuarial gains / (losses) recognised in the STRGL	4,000	(7,300)

# Punch Taverns (PMH) Limited

Period ended 21 August 2010

## NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 21 August 2010

The amounts recognised in the balance sheet are as follows

Movements in the present value of scheme liabilities are as follows

	2010	2009
	£000	£000
Present value of scheme liabilities at beginning of period	54,100	49,200
Current service cost	100	100
Interest cost	3,000	3,100
Actuarial (gains) / losses	(600)	4,100
Benefits paid	(2,100)	(2,400)
Present value of scheme liabilities at end of period	<u>54,500</u>	<u>54,100</u>

Movements in the fair value of scheme assets are as follows

	2010	2009
	£000	£000
Fair value of scheme assets at beginning of period	40,500	43,000
Expected return on scheme assets	2,500	3,200
Actuarial (gains) / losses	3,400	(3,200)
Contributions paid by employer	1,100	(100)
Benefits paid	(2,100)	(2,400)
Fair value of scheme assets at end of period	<u>45,400</u>	<u>40,500</u>

Scheme assets are stated at their market values at the balance sheet date and the expected return on scheme assets is derived as a weighted average of the expected return on each asset class, recognising the proportions of the assets invested in each. The expected return on each asset class is determined after taking external expert advice and by reference to relevant equity and bond indices.

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

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

	2010	2009	2008	2007	2006
Actual return less expected return on scheme assets	(1,600)	(3,200)	(6,400)	(1,700)	2,200
Percentage of scheme assets	-3.5%	-7.9%	-14.9%	-3.6%	6.5%
Experience adjustments on scheme liabilities	600	(4,100)	2,800	3,200	(5,400)
Percentage of scheme liabilities	1.1%	7.6%	-5.7%	-6.2%	13.5%
Total gain / (loss) recognised in STRGL	4,000	(7,300)	(3,600)	1,500	(3,200)
Percentage of scheme liabilities	-7.3%	13.5%	7.3%	-2.9%	8.0%

The expected contributions to the defined benefit scheme for the next financial year, beginning 22 August 2010, are £47,000

# Punch Taverns (PMH) Limited

Period ended 21 August 2010

## NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 21 August 2010

### Pubmaster Pension Scheme funding

The Pubmaster Pension scheme is a defined benefit scheme operated in the UK. The values of the scheme's liabilities have been determined by a qualified actuary based on the results of an actuarial valuation as at 6 April 2007, updated to 21 August 2010, the balance sheet date. The mortality assumptions at the year end are based on standard mortality tables that allow for future mortality improvements. The assumptions are that the life expectancy of a member who retires at the age of 65 is as follows:

	2010	2009
Male currently aged 50	22.8 years	21.9 years
Male currently aged 65	21.0 years	20.4 years
Female currently aged 50	25.3 years	23.4 years
Female currently aged 65	23.6 years	22.5 years

The assumptions used in determining the valuations are as follows:

	2010	2009
Rate of increase of salaries	4.30%	4.40%
Rate of increase in pensions	2.90%	3.00%
Discount rate	5.10%	5.60%
Inflation assumption	3.05%	3.15%
Revaluation of deferred pensions	3.05%	3.15%

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

	Long-term rate of return expected at 21 August 2010	Value at 21 August 2010 £000	Long-term rate of return expected at 22 August 2009	Value at 22 August 2009 £000	Long-term rate of return expected at 23 August 2008	Value at 23 August 2008 £000
Equities	7.75%	26,600	7.25%	23,500	8.00%	25,400
Bonds	4.30%	16,800	4.75%	14,700	6.00%	15,400
Insured pensions	5.10%	1,700	5.60%	2,000	6.40%	2,000
Cash	4.00%	300	4.00%	300	4.75%	200
Total market value of assets		45,400		40,500		43,000
Present value of scheme liabilities		(54,500)		(54,100)		(49,200)
Deficit in the scheme before deferred tax		(9,100)		(13,600)		(6,200)
Deferred tax asset		2,457		3,808		1,700
Net pension liability		(6,643)		(9,792)		(4,500)

**Punch Taverns (PMH) Limited**

**Period ended 21 August 2010**

**NOTES TO THE FINANCIAL STATEMENTS**

for the 52 week period ended 21 August 2010

**21 SHARE CAPITAL**

	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>No</b>	<b>£000</b>	<b>No</b>	<b>£000</b>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	<u>84,000,102</u>	<u>84,000</u>	<u>84,000,102</u>	<u>84,000</u>

# **Punch Taverns (PMH) Limited**

**Period ended 21 August 2010**

## **NOTES TO THE FINANCIAL STATEMENTS**

for the 52 week period ended 21 August 2010

### **22 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES**

	Share Capital £000	Hedge Reserve £000	Revaluation Reserve £000	Other Capital Reserves £000	Profit & Loss Account £000	Total Share- holders' Funds £000
At 23 August 2008	84,000	(1,204)	388,680	7,647	740	479,863
Total losses for the period	-	(5,950)	13,946	-	(115,653)	(107,657)
Transfers on disposal of fixed assets	-	-	(17,714)	-	17,714	-
At 22 August 2009	84,000	(7,154)	384,912	7,647	(97,199)	372,206
Total losses for the period	-	(8,798)	(74,330)	-	(4,727)	(87,855)
Transfers on disposal of fixed assets	-	-	(20,792)	-	20,792	-
Transfer from revaluation reserve to profit and loss account	-	-	50,712	-	(50,712)	-
At 21 August 2010	<u>84,000</u>	<u>(15,952)</u>	<u>340,502</u>	<u>7,647</u>	<u>(131,846)</u>	<u>284,351</u>

Company	Share Capital £000	Share Premium £000	Profit & Loss Account £000	Share- holders' Funds £000
At 21 August 2010, 22 August 2009 and 23 August 2008	<u>84,000</u>	<u>91,647</u>	<u>-</u>	<u>175,647</u>



**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the 52 week period ended 21 August 2010

**23 FINANCIAL COMMITMENTS**

	2010	2009
	£000	£000
Contracted not provided	<u>4,882</u>	<u>2,285</u>

At 21 August 2010 the group had annual commitments under non-cancellable operating leases as set out below

**Land and buildings**

	2010	2009
	£000	£000
Operating leases which expire		
In less than one year	2	30
2 - 5 years	410	370
Over five years	988	1,041
	<u>1,400</u>	<u>1,441</u>

The company has no financial commitments

**24 CONTINGENT LIABILITIES**

In accordance with the terms of a Deed of Charge dated 5 July 1999 (as amended 1 August 2005) the group has guaranteed the payments of principal of, and interest on, the loan notes issued by Punch Taverns Finance B Limited. The total outstanding indebtedness of the loan notes at 21 August 2010 is £1,037,621,000 (2009 £1,221,080,000)

**25 RELATED PARTY DISCLOSURES**

The group has taken advantage of the exemption in paragraph 3(c) of FRS 8 from disclosing transactions with related parties that are part of the Punch Taverns plc group or investees of the group

**26 FINANCIAL INSTRUMENT DISCLOSURES**

The consolidated financial statements of Punch Taverns plc contain financial instrument disclosures which comply with FRS 29 'Financial Instruments Disclosures'. Consequently, the company has taken advantage of the exemption in FRS 29 not to present separate financial instrument disclosures for the company

**26 ULTIMATE PARENT UNDERTAKING**

The company's ultimate parent undertaking and controlling party is Punch Taverns plc, a company registered in England & Wales

Copies of the financial statements of Punch Taverns plc are available from Jubilee House, Second Avenue, Burton upon Trent, Staffordshire, DE14 2WF

**Punch Taverns (PMH) Limited**  
**Period ended 21 August 2010**

**NOTES TO THE CASH FLOW STATEMENT**  
for the 52 week period ended 21 August 2010

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

	52 week period ended 21 August 2010	52 week period ended 22 August 2009
	£000	£000
Operating profit	111,196	119,677
Depreciation and impairment of tangible fixed assets	20,919	20,428
Amortisation of negative goodwill	(981)	(981)
Decrease / (increase) in debtors	7,584	(689)
(Decrease) / increase in creditors	(32,355)	1,024
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b><u>106,363</u></b>	<b><u>139,459</u></b>

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

	52 week period ended 21 August 2010	52 week period ended 22 August 2009
	£000	£000
(Decrease) / increase in cash in the period	(104,794)	62,865
Cash inflow from change in debt financing	205,787	74,106
Change in net debt resulting from cash flows	100,993	136,971
Other non cash movements in net debt	(43,121)	(49,324)
Change in net debt resulting from non cash flows	(43,121)	(49,324)
 Movement in net debt	 <u>57,872</u>	 <u>87,647</u>
 Net debt at beginning of period	 (1,277,816)	 (1,365,463)
 <b>Net debt at end of period</b>	 <b><u>(1,219,944)</u></b>	 <b><u>(1,277,816)</u></b>

**ANALYSIS OF CHANGES IN NET DEBT**

	22 August 2009 £000	Cash flow £000	Other non- cash changes £000	21 August 2010 £000
Cash at bank and in hand	141,863	(104,794)	-	37,069
Loans owed to other companies in the Punch Taverns plc group	(175,727)	4,040	(27,796)	(199,483)
Other loans	(1,209,750)	180,837	126	(1,028,787)
Derivative financial instrument	(34,202)	20,910	(15,451)	(28,743)
	<u>(1,277,816)</u>	<u>100,993</u>	<u>(43,121)</u>	<u>(1,219,944)</u>