

**Punch Taverns Holdco (B) Limited**

**Report and Financial Statements**

**16 August 2020**



## STRATEGIC REPORT

Registered No. 9233837

### PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the company is that of an intermediate holding company. The principal activity of the Punch B Securitisation Group (the group) is the leasing of public houses to independent publicans and the wholesale supply of beer products to lessees.

These financial statements show the consolidated result of the group.

Operations are managed at a Vine Acquisitions Limited Group level.

The second half of the financial year has been dominated by the enforced closure of our pubs in response to the Covid-19 pandemic.

On 20 March 2020, the government announced a directive to close all pubs with immediate effect as part of a package of measures to slow the spread of the virus. Following the temporary closure of all pubs on 20 March 2020, pubs were permitted to reopen (subject to (i) absence of additional localised lockdown restrictions; and (ii) the implementation Covid-19 risk assessment mitigations) from 4 July 2020 in England, 15 July 2020 in Scotland and 3 August 2020 in Wales.

### RESULTS AND DIVIDENDS

The loss after taxation for the 52 week period amounted to £40,864,000 (52 week period ended 18 August 2019: profit after taxation of £14,429,000). The directors do not propose the payment of a final dividend (2019: £nil).

### KEY PERFORMANCE INDICATORS

#### EBITDA

The underlying earnings before interest, taxation, depreciation and amortisation for the 52 week period ended 16 August 2020 were £49,410,000 (52 week period ended 18 August 2019: £65,118,000).

#### Profit before tax

The underlying profit before taxation for the 52 week period ended 16 August 2020 was £7,517,000 (52 week period ended 18 August 2019: £25,406,000).

#### Net debt

The net debt excluding any mark-to-market or deferred issue costs at 16 August 2020 was £446,842,000 (18 August 2019: £443,569,000).

	16 August 2020	18 August 2019
	£000	£000
Borrowings	(508,533)	(517,003)
Cash and cash equivalents	61,691	73,434
	<u>(446,842)</u>	<u>(443,569)</u>

## STRATEGIC REPORT (continued)

### Net leverage

The ratio of net debt to underlying EBITDA at 16 August 2020 was 9.0:1 (18 August 2019: 6.8:1).

### Net senior leverage

The ratio of net senior debt to underlying EBITDA at 16 August 2020 was 7.6:1 (18 August 2019: 5.7:1).

## SECTION 172 STATEMENT

Under section 172 of the Companies Act the directors of the company have a duty to promote the success of the company for the benefit of shareholders as a whole. This section of the report is designed to set out how the directors have complied with their obligations in this regard.

The directors of the company have acted in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of the company's employees
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

### Stakeholders

The directors believe it is important to work together with stakeholders, building positive relationships in order to deliver long-term sustainable success. As the company is a wholly owned subsidiary of the Vine Acquisitions Limited group, the company's key stakeholders are largely the same as those of Vine Acquisitions Limited. Decisions affecting the company are based on group strategy, filtered down from the group. The Vine Acquisitions Limited group's ("the group") key stakeholders are as follows:

**Shareholders:** The group board meets every period to discuss the financial reporting and strategy of the group. The board includes directors of the group, who are employed by Patron Capital and May Capital, majority shareholders in the group. The board meetings give investors the opportunity to provide feedback to the directors on a range of matters.

**Employees:** The group is committed to regular, two way communications between the Board and employees, with strong structures and channels in place for consultation and feedback. The leadership team deliver regular business briefs to employees on the group's performance and also hold regular, two-way consultation sessions with employees.

The group is an equal opportunities employer, welcoming pub lovers of all backgrounds. We know that a huge part of what makes our business such a great place to work is our inclusive culture and environment, where all of our people can truly be themselves, whilst realising their full potential. This means that all employees and applicants are treated equally, regardless of their age, disability, race, religion or belief, gender, sexual orientation, marital or civil partnership status.

**Publicans:** The group operates as a population of over 1,200 individual pub businesses, creating exciting possibilities through the pub-by-pub approach, with publicans at the heart of everything we do, using our scale for the benefit of each of our pubs, publicans and their guests.

The group is not restricted to any one operating model, but operates across the full spectrum of operating formats, from free-of-tie commercial leases, tied leases and tenancies, turnover leases and Managed Partnerships agreements to fully Managed pubs.

**Debt holders:** The group is largely financed through secured loan notes and facilities. Debt providers receive regular reporting updates on the relevant securitisation groups.

**Suppliers:** The group seeks to maintain strong, long term, relationships with key suppliers to ensure high quality and service levels are sustained. Senior members of the management team regularly meet with key suppliers to ensure relationships are upheld.

## STRATEGIC REPORT (continued)

### **Equality, diversity and disabled employees**

The company does not have any employees but as a member of the Vine Acquisitions Limited group ("the group"), the group is committed to promoting diversity. To this end, the group is committed to providing equal opportunities in recruitment, promotion, career development, training and reward to all employees without discrimination. The group gives full consideration to applications for employment from disabled persons, where the requirements of the job can be adequately fulfilled by such persons. The group continues to be supportive of the employment of disabled persons in accordance with their abilities and aptitudes, provided that they can be employed in a safe working environment. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions.

### **Community, charity and environment**

*Doing Well by Doing Good* underpins all we do, and we are committed to ensuring that the social impact of our business is a positive one. The key principles we adhere to are promoting responsible retailing of alcohol, supporting good causes and supporting local communities.

We are active supporters of Drinkaware and promote the messages of the Drinkaware campaign throughout our business and are signatories to the Portman Group Alcohol Sponsorship Code. We have a dedicated Risk Management team in place to ensure that our pubs operate responsibly and to the highest standards. Responsible retailing forms a key part of our publican training and we provide our publicans via the Buying Club (an industry-leading online ordering and information portal), with a wide range of downloadable educational tools, advice and pub friendly materials.

As well as our own commitment to charities, we also encourage all our publicans to consider the role their pub business can play in the local community. Many pubs have diversified to provide a wider community service, through services such as hosting the post office or local shop as well as providing meeting spaces to local clubs and societies. Local pubs are also perfectly positioned to coordinate fundraising events for local sports teams, charities and community groups.

### **Political donations**

The company does not make any donations to any political party or organisation.

### **Culture and values**

The public house has always been a Great British institution. The heart and soul of our nation, it's a place where everyone is welcome and so is our business. At our core, we're about treating people with the warmth and hospitality they'd expect in any of our pubs, and as part of that, our culture is one of our most valuable assets.

Our identity is a reflection of the way we work as a business, working together in an inclusive environment where everyone feels motivated, engaged and valued. Our values are what sets us apart, underpins how we behave, how we interact and how we work. Our Hashtags:

- #WeAreBold – We lead the charge on change
- #WeMakeThingsHappen – Bringing pace, quality and a positive impact to all that we do
- #WeWinTogether – We all can work, but together we succeed
- #OurBestSelf – We strive to fulfil our potential with support from Vine
- #WeLovePubs – Amazing people creating epic pubs

### **Payment of suppliers**

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.

## STRATEGIC REPORT (continued)

### PRINCIPAL RISKS AND UNCERTAINTIES

#### Liquidity risk

The group is primarily financed by secured loan notes, with 76% (2019: 96%) of the capital balance on these loan notes being repayable after more than two 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 securitisation 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 fixed rates of interest. Further information on how the securitisation 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.

#### Security

The group is financed through a whole business securitisation, the Punch B Securitisation. The loan notes for the securitisation are secured by way of fixed and floating charges against the assets and undertakings of the securitisation group. As at 16 August 2020 the properties in the Punch B Securitisation had a net book value of £758,984,000.

Senior Debt has security over the Note Issuer's assets and undertaking as well as a first-ranking fixed charge over shares in Punch Taverns (PMH) Limited and a first-ranking floating charge over the assets and undertaking of a Punch Taverns Intermediate Holdco (B) Limited.

Junior debt does not have any security over the Note Issuer's assets and undertaking but has a first-ranking fixed charge over shares in Punch Taverns Intermediate Holdco (B) Limited and a first-ranking floating charge over the assets and undertaking of Punch Taverns Holdco (B) Limited.

#### Covenants

The securitisation has the following covenants that are tested at each quarter end:

Ratio of:

- EBITDA to Interest Charges not less than 1.58 : 1 (increasing to 1.70 : 1 by August 2022)
- Free Cash Flow to Debt Service not less than 1.00 : 1
- Net Senior Debt to EBITDA not greater than 6.00 : 1

The securitisation also has a Minimum Net Worth covenant of £50m that is tested annually.

At 16 August 2020 the covenants are met as follows:

- EBITDA to Interest Charges 2.3 : 1
- Free Cash Flow to Debt Service 1.4 : 1
- Net Senior Debt to EBITDA 4.9 : 1

Net worth at 16 August 2020 is £266.6m.

## STRATEGIC REPORT (continued)

As at the balance sheet date there is sufficient headroom in all of these covenants.

On 18 May 2020 Noteholders approved a simple and targeted amendment to the basis on which the Securitisation's EBITDA is calculated for covenant purposes in order to deal specifically with the impact of the COVID-19 Restrictions, and to permit Punch to accommodate rent deferrals or reductions for tenants who are struggling to pay their rent on time during the period that the COVID-19 Restrictions are in place.

Forecasts of covenant compliance are reviewed at Board level.

### Going Concern

At the date of signing these financial statement, the directors have considered the effect of the Covid-19 pandemic on the company with the information available to it, and do not believe it will affect the company's ability to continue to trade for the foreseeable future. The outbreak of Covid-19 casts a high degree of uncertainty as to the future financial performance and cash flows of the company. The implications of this have been considered by the Director's in assessing the ability of the company to continue as a going concern.

After due consideration the Director's believe that they have a reasonable expectation that the company has sufficient resources to continue in operational existence for the 12 months from the date of approval of these financial statements, and therefore continue to adopt the going concern in their preparation. Please see note 1 for further details.

On behalf of the board



S Dando  
Director  
14 December 2020

**DIRECTORS' REPORT**  
**Registered No. 9233837**

The directors present their report and financial statements for the financial period ended 16 August 2020.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

**DIRECTORS**

The directors of the company who served during the period are listed on the back page.

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

**POST BALANCE SHEET EVENTS**

On 24 September 2020 the Group sold 66 properties to other companies in the Vine Acquisitions Limited Group for £21,000,000.

In response to rising Covid-19 case numbers, the Government announced the closure of all hospitality venues (including pubs) in England for on premises consumption for four weeks from Thursday 5 November until Wednesday 2 December. Different measures to address the rising Covid-19 case numbers were implemented in Wales and Scotland.

## STREMLINED ENERGY AND CARBON REPORTING

UK Greenhouse gas emissions and energy use date for the period 19 August 2019 to 16 August 2020	2020
Energy consumption used to calculate emissions (kWh)	-
<b>Scope 1</b> emissions in metric tonnes CO2e	
Gas consumption	-
Owned transport	-
Total Scope 1	-
<b>Scope 2</b> emissions in metric tonnes CO2e	
Purchased electricity	-
<b>Scope 3</b> emissions in metric tonnes CO2e	
Business travel in employee owned vehicles	-
<b>Total Gross emissions in metric tonnes CO2e</b>	-
<b>Intensity ratio: tonnes CO2e per thousand pounds of turnover</b>	-

### Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol - Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting. Within the company there are no emissions from director or indirect supplies such as gas, vehicles and electricity.

### AUDIT INFORMATION

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

### AUDITOR

The company has elected to dispense with the obligation to appoint an auditor annually under s487 of the Companies Act 2006.

On behalf of the board



S Dando  
Director  
14 December 2020



# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PUNCH TAVERNS HOLDCO (B) LIMITED**

## **Opinion**

We have audited the financial statements of Punch Taverns Holdco (B) Limited for the year ended 16 August 2020 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated cash flow statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and company's affairs as at 16 August 2020 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006;

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Material uncertainty related to going concern and valuation of property, plant and equipment as a result of Covid 19**

We draw attention to the going concern accounting policy of the financial statements which highlights that the company has been impacted by the Covid 19 pandemic, as stated in note 1. The extent to which the company is impacted, and its ability to continue as a going concern is uncertain, and will depend upon the severity of the pandemic.

We also draw attention to the property, plant and equipment accounting policy, as stated in note 1, of the financial statements which highlights the impact the Covid 19 pandemic has had on the external report and the directors' assessment of fair value, both of which have been used in determining the valuation of the company's property, plant and equipment.

Our opinion is not modified in respect of these matters. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

## **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our audit report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the group and company, 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.

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

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

Cooper Parry Group Limited

Katharine Warrington (Senior Statutory Auditor)  
for and on behalf of  
Cooper Parry Group Limited  
Chartered Accountants  
Statutory Auditor  
Sky View  
Argosy Road  
East Midlands Airport  
Castle Donnington  
Derby  
DE74 2SA

Date: 17 December 2020

**CONSOLIDATED INCOME STATEMENT**  
for the 52 weeks ended 16 August 2020

	Notes	52 weeks to 16 August 2020			52 weeks to 18 August 2019		
		Underlying items £000	Non-underlying items (note 6) £000	Total £000	Underlying items £000	Non-underlying items (note 6) £000	Total £000
<b>Revenue</b>	2	<b>108,436</b>	-	<b>108,436</b>	155,449	-	155,449
Operating costs before depreciation		(59,026)	(2,041)	(61,067)	(90,331)	(1,899)	(92,230)
<b>EBITDA<sup>1</sup></b>		<b>49,410</b>	<b>(2,041)</b>	<b>47,369</b>	65,118	(1,899)	63,219
Depreciation	3	(8,093)	-	(8,093)	(5,041)	-	(5,041)
Profit on sale of property, plant and equipment and non-current assets classified as held for sale	3	-	1,113	1,113	-	6,030	6,030
Impairment	11	-	(4,281)	(4,281)	-	(4,737)	(4,737)
Movement in valuation of properties	10	-	(40,129)	(40,129)	-	(5,751)	(5,751)
<b>Operating profit / (loss)</b>	3	<b>41,317</b>	<b>(45,338)</b>	<b>(4,021)</b>	60,077	(6,357)	53,720
Finance income	4	439	-	439	481	-	481
Finance costs	5	(34,239)	(283)	(34,522)	(35,152)	(264)	(35,416)
<b>Profit / (loss) before taxation</b>		<b>7,517</b>	<b>(45,621)</b>	<b>(38,104)</b>	25,406	(6,621)	18,785
UK income tax (charge) / credit	8	(1,552)	(1,208)	(2,760)	(4,865)	509	(4,356)
<b>Profit / (loss) for the financial period attributable to owners of the parent company</b>		<b>5,965</b>	<b>(46,829)</b>	<b>(40,864)</b>	20,541	(6,112)	14,429

<sup>1</sup> EBITDA represents earnings before depreciation, profit on sale of property, plant and equipment and non-current assets classified as held for sale, impairment, movement in valuation of properties, finance income, finance costs and tax of the group.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the 52 weeks ended 16 August 2020

		<b>52 weeks to 16 August 2020 £000</b>	<b>52 weeks to 18 August 2019 £000</b>
	Notes		
<b>(Loss) / profit for the period attributable to owners of the parent company</b>		<b>(40,864)</b>	<b>14,429</b>
<b>Items that cannot be recycled subsequently to the income statement</b>			
Remeasurements of defined benefit pension schemes	24	<b>(2,000)</b>	<b>(1,700)</b>
Unrealised surplus on revaluation of properties	10	<b>12,452</b>	<b>2,740</b>
Tax relating to components of other comprehensive income that cannot be reclassified into profit or loss	8	<b>380</b>	<b>323</b>
<b>Other comprehensive profit for the period</b>		<b>10,832</b>	<b>1,363</b>
<b>Total comprehensive (loss) / income for the period attributable to owners of the parent company</b>		<b>(30,032)</b>	<b>15,792</b>

**CONSOLIDATED BALANCE SHEET**  
at 16 August 2020

	Notes	16 August 2020 £000	18 August 2019 £000
<b>Non-current assets</b>			
Property, plant and equipment	10	747,478	768,349
Right of use asset	17	6,918	-
		<b>754,396</b>	<b>768,349</b>
<b>Current assets</b>			
Trade and other receivables	12	17,373	18,724
Non-current assets classified as held for sale	15	11,506	14,735
Cash and cash equivalents	14	61,691	73,434
		<b>90,570</b>	<b>106,893</b>
<b>Total assets</b>		<b>844,966</b>	<b>875,242</b>
<b>Current liabilities</b>			
Trade and other payables	16	(32,194)	(35,747)
Short-term borrowings	18	(11,875)	(8,087)
Lease liabilities	17	(799)	-
Provisions	21	-	(29)
Current income tax liabilities		(1)	(1)
		<b>(44,869)</b>	<b>(43,864)</b>
<b>Non-current liabilities</b>			
Borrowings	18	(495,691)	(507,543)
Retirement benefit obligations	24	(6,000)	(4,300)
Lease liabilities	17	(6,542)	-
Provisions	21	-	(384)
Deferred tax liabilities	13	(16,600)	(14,220)
Other non-current payables	20	(4,320)	(4,037)
		<b>(529,153)</b>	<b>(530,484)</b>
<b>Total liabilities</b>		<b>(574,022)</b>	<b>(574,348)</b>
<b>Net assets</b>		<b>270,944</b>	<b>300,894</b>
<b>Equity</b>			
Called up share capital	22	-	-
Share premium		2,693	2,693
Revaluation reserve		125,349	111,932
Merger reserve		91,647	91,647
Retained earnings		51,255	94,622
<b>Total equity attributable to owners of the parent company</b>		<b>270,944</b>	<b>300,894</b>

The financial statements were approved and authorised by the board and signed on its behalf on 14 December 2020.



Steve Dando

Company number: 9233837

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the 52 weeks ended 16 August 2020

	Share capital £000	Share premium £000	Revaluation reserve £000	Merger reserve £000	Retained earnings £000	Total equity £000
Total equity at 18 August 2018	-	2,693	103,622	91,647	87,140	285,102
Profit for the period	-	-	-	-	14,429	14,429
Other comprehensive gains / (losses) for the period	-	-	2,740	-	(1,377)	1,363
Total comprehensive income for the period attributable to owners of the parent company	-	-	2,740	-	13,052	15,792
Transfers on disposal of property, plant and equipment and non-current assets classified as held for sale	-	-	5,570	-	(5,570)	-
Total equity at 18 August 2019	-	2,693	111,932	91,647	94,622	300,894
Effect of adoption of IFRS 16 Leases (note 1)	-	-	-	-	82	82
Total equity at 19 August 2019	-	2,693	111,932	91,647	94,704	300,976
Loss for the period	-	-	-	-	(40,864)	(40,864)
Other comprehensive gains / (losses) for the period	-	-	12,452	-	(1,620)	10,832
Total comprehensive income / (loss) for the period attributable to owners of the parent company (note 10)	-	-	12,452	-	(42,484)	(30,032)
Transfers on disposal of property, plant and equipment and non-current assets classified as held for sale	-	-	965	-	(965)	-
<b>Total equity at 16 August 2020</b>	<b>-</b>	<b>2,693</b>	<b>125,349</b>	<b>91,647</b>	<b>51,255</b>	<b>270,944</b>

Share capital represents the nominal value of shares that have been issued.

Share premium account represents the excess paid on the nominal value of shares issued by the company.

The revaluation reserve represents amounts revalued in relation to properties.

Merger reserve represents the difference on the investment in its subsidiaries and the nominal value of the share capital of its subsidiaries.

The retained earnings represent all current and prior periods retained profit and losses after the payment of dividends.

**CONSOLIDATED CASH FLOW STATEMENT**  
for the 52 weeks ended 16 August 2020

	<b>GROUP</b>	
	<b>52 weeks to 16 August 2020 £000</b>	<b>52 weeks to 18 August 2019 £000</b>
<b>Cash flows from operating activities</b>		
Operating (loss) / profit	(4,021)	53,720
Depreciation	8,093	5,041
Profit on sale of property, plant and equipment and non-current assets classified as held for sale	(1,113)	(6,030)
Impairment	4,281	4,737
Movement in valuation of properties	40,129	5,751
Increase in trade and other receivables	(326)	(3,234)
Decrease in trade and other payables	(1,845)	(8,737)
Increase in provisions	-	136
Difference between pension contributions paid and amounts recognised in the income statement	(451)	(549)
<b>Cash generated from operations</b>	<b>44,747</b>	<b>50,835</b>
Income tax paid	(1)	(1)
<b>Net cash from operating activities</b>	<b>44,746</b>	<b>50,834</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment - investments	(30,236)	(33,265)
Proceeds from sale of property, plant and equipment	7,122	14,937
Proceeds from sale of non-current assets classified as held for sale	8,687	9,750
Interest received	461	839
<b>Net cash used in investing activities</b>	<b>(13,966)</b>	<b>(7,739)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(8,470)	(7,536)
Payment of lease liability	(838)	-
Interest paid	(33,215)	(33,864)
<b>Net cash used in financing activities</b>	<b>(42,523)</b>	<b>(41,400)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(11,743)</b>	<b>1,695</b>
Cash and cash equivalents at beginning of period	73,434	71,739
<b>Cash and cash equivalents at end of period</b>	<b>61,691</b>	<b>73,434</b>



## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the 52 weeks ended 16 August 2020

### 1. ACCOUNTING POLICIES

#### *Basis of preparation*

The consolidated financial statements presented in this document have been prepared in accordance with IFRS as adopted by the European Union.

In preparing these financial statements, the group applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") but makes amendments where necessary in order to comply with the Companies Act 2006.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening group IFRS balance sheet at 20 August 2016 for the purposes of the transition to IFRS.

The group financial statements are presented in sterling and all values are rounded to the nearest thousand pounds, except where indicated.

#### *Going Concern*

The outbreak of Covid-19 casts a high degree of uncertainty as to the future financial performance and cash flows of the company. The implications of this have been considered by the Director's in assessing the ability of the company to continue as a going concern. During the period, the wider group has made use of support available to businesses during this difficult time under the Coronavirus Job Retention Scheme and has obtained additional support from its principal investors. During the period, the wider group also received various covenant waivers for its existing debt.

The events and future uncertain effect of potential government restrictions on the company and in addition, the ability of the wider group to provide such support, indicates a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

After due consideration the Director's believe that they have a reasonable expectation that the company has sufficient resources to continue in operational existence for the 12 months from the date of approval of these financial statements, and therefore continue to adopt the going concern in their preparation.

The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern; such as the recoverability of balances due from fellow group undertakings.

In arriving at this conclusion, the Board has considered the Group's financing arrangements, the pattern of trading since reopening on 4 July 2020, the second lockdown on 5 November and future trading risks, including a further protracted period of severe pub trading restrictions (such as a ban on social mixing between households and the requirement for a plated meal with all alcohol sales) and pubs closures.

#### *Liquidity and financing:*

For the year ended 16 August 2020, the Group is largely financed by secured loan notes and facilities, the Punch B Securitisation (£517.0m of gross debt secured against 1,188 pubs). Scheduled amortisation in the next financial year amounts to £12.3m and the first securitisation note repayment (£90.1m) occurs in September 2021.

The Group's lenders have been supportive during the year, in which financial results and covenant measures have been adversely impacted by the consequences of the Covid-19 pandemic. On 14 May 2020 Punch B Noteholders approved a simple and targeted amendment to the basis on which the Securitisation's EBITDA is calculated for covenant purposes to deal specifically with the impact of the Covid-19 restrictions.

#### *Trading scenarios:*

In undertaking a going concern review, the Board has considered two main scenarios prepared by management:

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the 52 weeks ended 16 August 2020

### 1. ACCOUNTING POLICIES (continued)

(i) Management have prepared the Group's base case forecast, which is based on current trading trends and takes into account the Government's recent decision to implement additional trading restrictions on pubs in Tier 2 (requirement for a plated meal with alcohol sales and no social mixing indoors between households) and Tier 3 (pub sales restricted to takeaway only). The forecast assumes for the four-month period from December to March 2021, the vast majority of the Groups pubs will remain under Tier 2 and Tier 3 restrictions. It assumes that the current prohibitive pub trading restrictions are lifted from April 2021 as pressure on the National Health Service reduces in the spring coupled with the anticipated benefit from the roll-out of Coronavirus vaccines. It also assumes the disposal of up to 4% (by earnings) of the core pub estate over the 12-month forecast period.

(ii) Management have also prepared a stress case, which reflects a severe but plausible scenario and assumes a further national lockdown for 8 weeks during January and February 2021, with no additional government support over that already announced. Again, it assumes that the current prohibitive pub trading restrictions are lifted from April 2021.

It also assumes the ongoing disposal of none-core assets, together with the disposal of up to 4% (by earnings) of the core pub estate over the 12-month forecast period.

In both the base case forecast and the stress case, the Group would need to access a relatively small amount of additional liquidity (representing less than 2.5% of gross debt) before the end of the period of assessment for going concern.

#### Conclusion:

The Board has concluded that in both scenarios, the Group has sufficient resource to finance operations for at least the next 12 months, subject to the ability to access additional liquidity when the Group needs.

The Board is confident in securing the additional liquidity as it represents a relatively small amount (at less than 2.5%) in comparison to the current gross debt, having already demonstrated their ability to raise over £50m of new liquidity for the wider Group over the past 9 months. But given that this additional liquidity is not in place at the date of approving these financial statements and that the impact of the Coronavirus could impact the ability to realise proceeds from the disposal of pubs as planned, and could be longer and more severe than modelled in the stress case, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Accepting these two material uncertainties, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, it continues to adopt the going concern basis in preparing the financial statements.

The financial position of the Group, its cash flows, liquidity position and borrowings are described in notes 14, 18 and 19, together with information on the Group's strategies surrounding managing interest rate risk, liquidity risk, capital risk and credit risk. Further details of the debt structure of the Punch B Securitisation can be found on the Punch website.

### New standards, interpretations and amendments to existing standards

The following standard and interpretations issued by the IASB and IFRIC are effective for the Group in these financial statements.

#### IFRS 16 Leases

IFRS 16 Leases is effective for the annual period beginning on or after 1 January 2019 and hence the Group has applied this standard from 19 August 2019 using the modified retrospective approach, where the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings with no restatement of comparative information.

The Group has applied the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. The Group applied IFRS 16 only to contracts that were previously identified as leases under IAS 17 and IFRIC 4.

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
**for the 52 weeks ended 16 August 2020**

**1. ACCOUNTING POLICIES (continued)**

***Lessee accounting***

The Group leases various licensed properties, offices and other commercial properties under lease agreements. The Group previously classified leases as operating leases. Under IFRS 16 the Group recognises right of use assets and lease liabilities for these leases.

On transition, lease liabilities were recognised at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the Group's incremental borrowing rate as at 19 August 2019 of 7%. Right of use assets are recognised at an amount equal to the lease liability following the modified retrospective approach. The right of use asset are subsequently depreciated over the remaining term of the lease.

The Group has elected to adopt the practical expedient on initial application to utilise any onerous lease provision as at 18 August 2019 to reduce the right of use asset value rather than undertaking an impairment review. Any remaining onerous lease provision has been derecognised. For those leases that do not have any onerous lease provision as at 18 August 2019, the right of use assets were tested for impairment on initial recognition.

The group has also applied the "short term lease" and "lease of low value assets" practical expedient by excluding these leases from the calculation.

***Lessor accounting***

The Group is a lessor of licensed properties to publicans. IFRS 16 does not require a lessor to make any adjustments on transition for leases. Leases are classified as either operating leases or finance leases. If a lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset it is classified as a finance lease. All other leases are classified as operating leases.

***Leases classified as operating leases under IAS 17 (policy effective to 19 August 2019)***

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. A corresponding liability is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Payments made on entering into or acquiring operating leases are accounted for as intangible assets and amortised over the lease term on a straight-line basis.

***Impact on adoption of IFRS 16 Leases***

***Balance Sheet***

As at 18 August 2019, the Group's future minimum rentals payable under non-cancellable operating leases was £24,499,000. On adoption of IFRS 16 on 19 August 2019, the Group has recognised a right of use asset, after impairment and onerous lease provisions, of £7,329,000 and a corresponding lease liability of £7,660,000.

A provision recognised at 18 August 2019 for onerous leases of £413,000 has been derecognised and factored into the recognition of right of use assets. As part of the transition £37,000 of onerous lease provision was offset against the right of use asset with the remaining balance written back to equity. In addition to this an impairment charge was recognised of £294,000 on the right of use asset as part of the transition.

An adjustment to derecognise prepayments relating to lease liabilities of £38,000 has been adjusted for.

The effect of the above adjustments has been to recognise a charge of £82,000 in retained earnings.

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**1. ACCOUNTING POLICIES (continued)**

*Income Statement*

Under IFRS 16 the Group no longer recognises lease payments associated with leases as an expense on a straight-line basis over the lease term but instead recognises a depreciation charge for the right of use asset and an interest expense on the lease liability. Underlying EBITDAs improved by £876,000 as the operating charge has moved from included in EBITDA to excluded from EBITDA. Underlying profit before taxation has decreased by £54,000 which is impacted by the interest expense through finance costs and depreciation on the right of use asset.

*Cash flow*

Under IFRS 16 cash payments for the lease liability are recognised within financing activities. In the prior period, operating lease payments under IAS 17 are recognised in operating activities. This has no net impact on the cash flow.

*Impact on consolidated balance sheet at 19 August 2019*

The following table shows the estimated impact of adopting IFRS 16 on the consolidated balance sheet at 19 August 2019.

	18 August 2019 £000	IFRS 16 Transition Adjustment	19 August 2019 £000
<b>Non-current assets</b>			
Property, plant and equipment	768,349		768,349
Right of use assets	-	7,329	7,329
	768,349	7,329	775,678
<b>Current assets</b>			
Debtors	18,724	(38)	18,686
Non-current assets classified as held for sale	14,735		14,735
Cash and cash equivalents	73,434		73,434
	106,893	(38)	106,855
<b>Current liabilities</b>			
Creditors	(43,835)		(43,835)
Lease liabilities	-	(267)	(267)
	(43,835)	(267)	(44,102)
<b>Net Current Assets</b>	63,058	(305)	62,753
<b>Non-current liabilities</b>			
Lease liabilities	-	(7,355)	(7,355)
Retirement benefit obligations	(4,300)		(4,300)
Provisions	(413)	413	-
Creditors	(511,580)		(511,580)
Deferred tax liability	(14,220)		(14,220)
	(530,513)	(6,942)	(537,455)
<b>Net assets</b>	300,894	82	300,976
<b>Equity</b>			
Called up share capital	-		-
Share premium	2,693		2,693
Revaluation reserve	111,932		111,932
	91,647		91,647
Retained earnings	94,622	82	94,704
<b>Shareholder Funds</b>	300,894	82	300,976

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using the incremental borrowing rate at 19 August 2019. The weighted average rate applied is 7%.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the 52 weeks ended 16 August 2020

### 1. ACCOUNTING POLICIES (continued)

#### *Reconciliation between operating lease commitments and lease liability*

The following table explains the differences between the operating lease commitments disclosed under IAS 17 at 18 August 2019 and the lease liability recognised on adoption of IFRS 16 at 19 August 2019.

	£000
Total minimum lease payments reported at 18 August 2019 under IAS 19 (note 21)	24,499
Impact of discounting lease liability under IFRS 16	(17,945)
Change in assessment of lease term	1,106
<b>Total lease liability at 19 August 2019</b>	<b>7,660</b>

#### **Basis of consolidation**

Consolidated financial statements comprise the financial statements of the parent company (Punch Taverns Holdco (B) Limited) and all of its subsidiaries.

Subsidiaries are entities controlled by the group. Control exists when the group is exposed to or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group. Investments in subsidiaries are carried at cost less any impairment in value in the financial statements of the company. Investments in joint ventures are carried at cost plus post-acquisition changes in the group's share of accumulated comprehensive income, less distributions received and less any impairment in value.

All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated in full. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### **Property, plant and equipment (note 10)**

##### **Revaluation**

Properties will be revalued professionally by independent valuers on a five-year rolling basis. Due to the impact of COVID-19 the Group decided to revalue 100% of its property portfolio in the year ended 16 August 2020. The valuation of 20% of the estate was performed by Avison Young (UK) Limited, independent chartered surveyors. The remaining 80% of the estate was valued using Directors' assessment of fair value.

We draw attention to note 10 in the financial statements, which explains that the impact of Coronavirus creates uncertainty in relation to the valuation of property. The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global pandemic' on the 11 March 2020, has affected global financial markets. Market activity is being impacted in many sectors. A proportion of the company's properties have been valued by Avison Young (UK) Limited. In their report they stated the following: 'Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards effective from 31 January 2020. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of these properties under frequent review.' The remaining 80% of the estate was valued using the director's assessment of fair value. The directors valued this by calculating an average multiplier based on the 20% of the estate valued by Avison Young (UK) Limited, over the forecast of the fair maintainable income of the estate. This multiplier was then applied to the 80% estate that wasn't valued by Avison Young (UK) Limited based on the forecast of the fair maintainable income. This value was then considered to be the director's assessment of fair value.

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

for the 52 weeks ended 16 August 2020

### **1. ACCOUNTING POLICIES (continued)**

Surpluses arising from a revaluation increase are recognised directly in other comprehensive income in the revaluation reserve or are recognised as a credit in the income statement to the extent that they reverse a revaluation decrease of the same asset previously recognised as a charge to the income statement. Any deficit arising from a revaluation decrease is recognised as a charge to other comprehensive income in the revaluation reserve to the extent that there is a credit balance in the revaluation reserve in respect of that asset. Any further decrease in value is recognised as a charge to the income statement.

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 to write off the cost of property, plant and equipment, less estimated residual values, by equal annual instalments as follows:

Licensed properties, unlicensed properties and owner-occupied properties  
50 years or the life of the lease if shorter with certain integral parts of buildings over 10 to 30 years

Landlord's fixtures and fittings, office furniture and fittings and motor vehicles  
5 years

Information technology equipment  
3 to 5 years

Freehold land is not depreciated.

An annual assessment of residual values is performed and there is no depreciable amount if residual values are the same as, or more than, book value. Residual values are based on the estimated amount that would be currently obtainable from disposal of the asset net of disposal costs if the asset were already of the age and condition expected at the end of its useful life.

#### **Impairment (note 11)**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and when events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A review for indicators of impairment is performed annually. 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 fair value less costs to sell and value in use. Any impairment charge is recognised in the income statement in the year in which it occurs. When an impairment loss, other than an impairment loss on goodwill, subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, up to the carrying amount that would have resulted, net of depreciation, had no impairment loss been recognised for the asset in prior years.

#### **Borrowings (note 18)**

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowings.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated taking account of any issue costs, and any discounts or premiums on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

When debt is purchased from the market, a profit or loss is recognised at the point of purchase. The debt is then held at amortised issue value until it is cancelled.

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

for the 52 weeks ended 16 August 2020

### **1. ACCOUNTING POLICIES (continued)**

#### **Equity instruments**

Equity instruments issued by the company are recorded at the fair value of the proceeds, net of direct issue costs.

#### **Taxation (note 8)**

Income tax expense comprises both the income tax payable, based on taxable profits for the year, and deferred tax.

Deferred tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts except where the deferred tax liability arises from the initial recognition of goodwill or where the deferred tax asset or liability arises on an asset or liability in a transaction which is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

Deferred tax is calculated using tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Movements in deferred tax are charged or credited in the income statement, except where they relate to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax balances are not discounted.

#### **Pensions (note 24)**

The group operates one defined benefit scheme which requires contributions to be made to separately administered funds. The asset or liability recognised in the balance sheet in respect of the group's defined benefit arrangements is the difference between the fair value of scheme assets and the present value of scheme liabilities. Any defined benefit assets are limited to the present value of economic benefits in the form of any future refunds from the scheme or reductions in future contributions to the scheme. The cost of providing benefits under the scheme is determined using the projected unit credit actuarial method. The current service cost is charged to operating profit. A single net interest cost or income, which is calculated on the net defined benefit liability by applying the discount rate to the net defined benefit liability, is shown in finance costs and finance income as appropriate. The cumulative net deficits on this defined benefit pension scheme have been recognised in full in equity at the date of transition to IFRS and the difference between the actual return on plan assets and interest income, together with actuarial gains and losses, are included within remeasurements of defined benefit scheme which are recognised in the consolidated statement of comprehensive income.

#### **Revenue**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and VAT. All operations take place solely in the United Kingdom.

#### ***Drink sales***

Revenue in respect of drink sales is recognised at the point at which the goods are provided, net of any discounts or volume rebates allowed.

#### ***Rents receivable***

Rents receivable are recognised on a straight line basis over the lease term.

#### ***Machine income***

The group's share of net machine income is recognised in the period to which it relates.

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

for the 52 weeks ended 16 August 2020

### **1. ACCOUNTING POLICIES (continued)**

#### **Trade and other receivables (note 12)**

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Receivables are written off against the doubtful debt provision when management deems the debt to be no longer recoverable.

#### **Cash (note 14)**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

#### **Non-current assets classified as held for sale (note 15)**

Properties identified for disposal which are classified in the balance sheet as non-current assets held for sale are held at the lower of carrying value on transfer to non-current assets held for sale, as assessed at the time of transfer, and fair value less costs to sell. The fair value less costs to sell is based on estimated net disposal proceeds which are provided by third party property agents who have been engaged to sell the properties.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale and completion is expected within one year from the date of classification.

#### **Dividend distribution**

Final dividends are recognised as a liability in the group's and the company's financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when they are paid.

#### **Non-underlying items (note 6)**

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 non-recurring nature or as a result of specific accounting treatments. Non-underlying items include:

- Financial and operational restructuring costs;
- Profit on sale of properties;
- Changes in the fair value, impairment and valuation of non-current assets; and
- Subordinated loan finance costs.

#### **Significant accounting estimates and judgements**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

On an ongoing basis, management evaluates its estimates and judgements including those relating to income taxes, deferred tax, financial instruments, property, plant and equipment, goodwill, intangible assets, valuations, provisions and post-employment benefits.

Management bases its estimates and judgements on historical experience and on various other factors that are believed to be 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 available from other sources. Actual results may differ from these estimates under different assumptions and conditions.

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



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

for the 52 weeks ended 16 August 2020

### **1. ACCOUNTING POLICIES (continued)**

#### ***Impairment of property, plant and equipment and non-current assets classified as held for sale (note 11)***

Property, plant and equipment is reviewed for impairment if circumstances suggest that the carrying amount may not be recoverable. Recoverable amounts are determined based on value-in-use calculations and estimated sale proceeds. These calculations require assumptions to be made regarding future cash flows and the choice of a suitable discount rate in order to calculate the present value of those cash flows. Actual outcomes may vary from these estimates.

#### ***Valuation of property, plant and equipment (note 10)***

Properties are revalued annually (from the second half of the 2015 financial year) to fair value in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation – Professional Standards January 2014 (revised April 2015), incorporating the International Valuation Standards 2013, and IFRS 13. The valuation is based on current and future projected trading levels of each property, taking into account the location, physical attributes and sustainability of rent of each property. Changes in assumptions underlying valuations, such as the assessment of fair maintainable trade for each property, could impact the carrying value of land and buildings. Due to the impact of COVID-19 the Group decided to revalue 100% of its property portfolio in the year ended 16 August 2020. The valuation of 20% of the estate was performed by Avison Young (UK) Limited, independent chartered surveyors. The remaining 80% of the estate was valued using Directors' assessment of fair value.

We draw attention to note 10 in the financial statements, which explains that the impact of Coronavirus creates uncertainty in relation to the valuation of property. The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global pandemic' on the 11 March 2020, has affected global financial markets. Market activity is being impacted in many sectors. A proportion of the company's properties have been valued by Avison Young (UK) Limited. In their report they stated the following: 'Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards effective from 31 January 2020. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of these properties under frequent review.' The remaining 80% of the estate was valued using the director's assessment of fair value. The directors valued this by calculating an average multiplier based on the 20% of the estate valued by Avison Young (UK) Limited, over the forecast of the fair maintainable income of the estate. This multiplier was then applied to the 80% estate that wasn't valued by Avison Young (UK) Limited based on the forecast of the fair maintainable income. This value was then considered to be the director's assessment of fair value.

#### ***Post-employment benefits (note 24)***

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

### **2. SEGMENTAL ANALYSIS**

IFRS 8 requires segment information to be presented on the same basis as that used by the Chief Operation Decision Maker for assessing performance and allocating resources.

The group has only one operating and reportable segment, Leased and Tenanted. This reflects the group's management and reporting structure as viewed by the Board of Directors, which is considered to be the group's Chief Operation Decision Maker.

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**3. ANALYSIS OF EXPENSES**

The following items have been included in arriving at operating profit:

	52 weeks to 16 August 2020 £000	52 weeks to 18 August 2019 £000
Drink costs	45,536	66,250
Leasehold rentals	-	846
Depreciation on fixed assets	7,682	5,041
Depreciation on right of use asset	411	-
Impairment losses (note 11)	4,281	4,737
Movements in valuation of properties (note 10)	40,129	5,751
Profit on sale of property, plant and equipment and non-current assets classified as held for sale	(1,113)	(6,030)
Other costs	15,531	25,134
<b>Total costs deducted from revenue to determine operating profit<sup>1</sup></b>	<b>112,457</b>	<b>101,729</b>

<sup>1</sup> Non-underlying costs of £2,041,000 are included within other costs above (August 2019: £1,899,000).

Auditors' remuneration is as follows:

	52 weeks to 16 August 2020 £000	52 weeks to 18 August 2019 £000
<b>Audit services</b>		
Statutory audit of group financial statements	62	24
Statutory audit of subsidiary companies pursuant to legislation	-	-
<b>Audit related services</b>	-	-

The accounts of the parent company do not include details of remuneration receivable by the auditor and its associates for non-audit services, as the group accounts are required to include this information as required by Regulation 5(1)(b) of The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 on a consolidated basis.

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**4. FINANCE INCOME**

	<b>52 weeks to 16 August 2020 £000</b>	<b>52 weeks to 18 August 2019 £000</b>
Bank interest receivable	405	412
Other interest receivable	34	69
<b>Total finance income</b>	<b>439</b>	<b>481</b>

**5. FINANCE COSTS**

	<b>52 weeks to 16 August 2020 £000</b>	<b>52 weeks to 18 August 2019 £000</b>
Interest payable on loan notes	32,795	33,429
Net pension interest costs	502	1,315
Amortisation of deferred issue costs	406	389
Interest payable on lease liabilities (note 17)	536	-
Effect of unwinding discounted provisions (note 21)	-	19
Subordinated loan interest payable to Vine Acquisitions group undertakings (note 6)	283	264
<b>Total finance costs</b>	<b>34,522</b>	<b>35,416</b>

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**6. NON-UNDERLYING ITEMS**

In order to provide a fair presentation of underlying performance, profit is presented excluding items which management consider will distort comparability, either due to their significant non-recurring nature or as a result of specific accounting treatments. Included in the income statement are the following non-underlying items:

	52 weeks to 16 August 2020 £000	52 weeks to 18 August 2019 £000
<b>Operating non-underlying items</b>		
Restructuring, redundancy and other one-off related costs	(2,041)	(1,899)
Profit on sale of property, plant and equipment and non-current assets classified as held for sale	1,113	6,030
Impairment losses (note 11)	(4,281)	(4,737)
Movement in valuation of properties <sup>1</sup>	(40,129)	(5,751)
	<b>(45,338)</b>	<b>(6,357)</b>
<b>Subordinated loan finance cost</b>	<b>(283)</b>	<b>(264)</b>
<b>Total non-underlying items before tax</b>	<b>(45,621)</b>	<b>(6,621)</b>
<b>Tax</b>		
Tax impact of non-underlying items	(1,518)	506
Adjustments to tax in respect of prior periods	310	3
	<b>(1,208)</b>	<b>509</b>
<b>Total non-underlying items after tax</b>	<b>(46,829)</b>	<b>(6,112)</b>

<sup>1</sup> The movement in the valuation of properties of £40,129,000 (2019: £5,751,000) comprises a downward valuation of £54,070,000 (2019: £8,374,000) where the fair value of an asset is less than the net book value, offset by a credit of £13,941,000 (2019: £2,623,000) where the fair value of an asset is greater than the net book value and the credit reverses a previous charge to the income statement for impairment.

**7. EMPLOYEES AND DIRECTORS**

	52 weeks to 16 August 2020 £000	52 weeks to 18 August 2019 £000
Directors emoluments	427	611
Company contributions to money purchase pension schemes	80	86

The amounts paid in respect of the highest paid director are as follows:

	52 weeks to 16 August 2020 £000	52 weeks to 18 August 2019 £000
Directors emoluments	256	400
Company contributions to money purchase pension schemes	46	48

The emoluments relate to services provided to the company in the current and preceding period. This is borne by another company in the Punch group and recharged.

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

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**8. TAXATION**

**(a) Tax on profit on ordinary activities**

**Tax charged / (credited) in the income statement**

	52 weeks to 16 August 2020			52 weeks to 18 August 2019		
	Underlying £000	Non- underlying £000	Total £000	Underlying £000	Non- underlying £000	Total £000
<b>Current tax</b>						
UK corporation tax – current period	65	(64)	1	39	(38)	1
UK corporation tax – adjustments in respect of prior years	-	(1)	(1)	-	(13)	(13)
	65	(65)	-	(39)	(51)	(12)
<b>Deferred tax (note 13)</b>						
Origination and reversal of temporary differences – current period	1,433	1,636	3,069	4,826	(469)	4,357
Origination and reversal of temporary differences – adjustments in respect of prior periods	-	(309)	(309)	-	11	11
	1,433	1,327	2,760	4,826	(458)	4,368
<b>Total tax charge / (credit)</b>	<b>1,498</b>	<b>1,262</b>	<b>2,760</b>	<b>4,865</b>	<b>(509)</b>	<b>4,356</b>

**Tax on items credited to equity**

In addition to the amount credited to the income statement, tax movements recognised directly in equity through the consolidated statement of comprehensive income were as follows:

	52 weeks to 16 August 2020 £000	52 weeks to 18 August 2019 £000
<b>Deferred tax</b>		
Deferred tax credit / (charge) on loss on actuarial valuation of pension schemes	380	323
<b>Deferred tax credit/ (charge) recognised directly in equity</b>	<b>380</b>	<b>323</b>

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**8. TAXATION (continued)**

**(b) Reconciliation of the total tax charge**

The effective rate of tax is different to the full rate of corporation tax. The differences are explained below:

	52 weeks to 16 August 2020			52 weeks to 18 August 2019		
	Underlying items £000	Non- underlying items (note 6) £000	Total £000	Underlying items £000	Non- underlying items (note 6) £000	Total £000
Profit on ordinary activities before tax	7,517	(45,621)	(38,104)	25,406	(6,621)	18,785
Tax at current UK tax rate of 19.00% (August 2018: 19.00%)	1,428	(8,667)	(7,239)	4,827	(1,258)	3,569
<b>Effects of:</b>						
Net effect of (expenses) / income not deductible for tax purposes and non- taxable income	124	8,224	8,348	38	897	935
Adjustments to tax in respect of prior periods (non-underlying items)	-	(309)	(309)	-	(3)	(3)
Current period non-underlying charges:		1,960	1,960	-	323	323
- Change in standard rate of tax	-	-	-	-	(468)	(468)
<b>Total tax charge / (credit) reported in the income statement</b>	<b>1,552</b>	<b>1,208</b>	<b>2,760</b>	<b>4,865</b>	<b>(509)</b>	<b>4,356</b>

Details of the non-underlying tax credits and charges are included in note 6.

**(c) Deferred tax recognised in the Consolidated Income Statement**

	52 weeks to 16 August 2020			52 weeks to 18 August 2019		
	Underlying items £000	Non- underlying items (note 6) £000	Total £000	Underlying items £000	Non- underlying items (note 6) £000	Total £000
Temporary differences	(2,738)	(3,194)	(5,932)	(8,754)	623	(8,131)
Accelerated capital allowances	1,305	1,557	2,862	3,928	(154)	3,774
Adjustments in respect of prior years	-	309	309	-	(11)	(11)
Restatement of deferred tax liability for change in UK tax rate	-	-	-	-	-	-
	<b>(1,433)</b>	<b>(1,328)</b>	<b>(2,761)</b>	<b>(4,826)</b>	<b>458</b>	<b>(4,368)</b>

See note 13 for the movement in deferred tax and for factors affecting the tax charge in future periods.

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**9. DIVIDENDS**

No dividends have been declared and paid during the current or prior year.

The Directors will not be proposing the payment of a final dividend.

**10. PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings £000	Public house fixtures and fittings £000	Total £000
<b>Cost or valuation</b>			
At 18 August 2018	774,880	48,262	823,142
Additions	28,408	7,694	36,102
Revaluation	(3,843)	-	(3,843)
Net transfers to non-current assets classified as held for sale	(17,367)	(1,487)	(18,854)
Disposals	(10,301)	(1,362)	(11,663)
At 18 August 2019	771,777	53,107	824,884
Additions	21,581	8,667	30,248
Revaluation	(50,375)	-	(50,375)
Net transfers to non-current assets classified as held for sale	(6,725)	(483)	(7,208)
Disposals	(5,263)	(1,223)	(6,486)
<b>At 16 August 2020</b>	<b>730,995</b>	<b>60,068</b>	<b>791,063</b>
<b>Accumulated depreciation</b>			
At 18 August 2018	17,417	37,699	55,116
Charge for the year	1,380	3,661	5,041
Impairment losses (note 11)	4,598	-	4,598
Revaluation	(832)	-	(832)
Net transfers to non-current assets classified as held for sale	(5,019)	(1,209)	(6,228)
Disposals	(577)	(583)	(1,160)
At 18 August 2019	16,967	39,568	56,535
Charge for the year	2,905	4,777	7,682
Impairment losses (note 11)	4,151	-	4,151
Revaluation	(22,698)	-	(22,698)
Net transfers to non-current assets classified as held for sale	(958)	(362)	(1,320)
Disposals	(367)	(398)	(765)
<b>At 16 August 2020</b>	<b>-</b>	<b>43,585</b>	<b>43,585</b>
<b>Net book value at 16 August 2020</b>	<b>730,995</b>	<b>16,483</b>	<b>747,478</b>
Net book value at 18 August 2019	754,810	13,539	768,349

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the 52 weeks ended 16 August 2020

### 10. PROPERTY, PLANT AND EQUIPMENT (continued)

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 16 August 2020	697,117	24,082	9,796	730,995
As at 18 August 2019	729,548	20,778	4,484	754,810

The group's policy is to revalue its properties on a five year rolling basis. Due to the impact of COVID-19 the Group decided to revalue 100% of its property portfolio in the year ended 16 August 2020. The valuation of 20% of the estate was performed by Avison Young (UK) Limited, independent chartered surveyors. The remaining 80% of the estate was valued using Directors' assessment of fair value.

We draw attention to the impact of Coronavirus which creates uncertainty in relation to the valuation of property. The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global pandemic' on the 11 March 2020, has affected global financial markets. Market activity is being impacted in many sectors. The properties have been valued by Avison Young (UK) Limited. In their report they stated the following: 'Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards effective from 31 January 2020. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of these properties under frequent review.'

The remaining 80% of the estate was valued using the director's assessment of fair value. The directors valued this by calculating an average multiplier based on the 20% of the estate valued by Avison Young (UK) Limited over the FY21 forecast (which is presumed to be the fair maintainable income). This multiplier was then applied onto the 80% estate that wasn't valued by Avison Young (UK) Limited based on the FY21 forecast (which is presumed to be the fair maintainable income). This value was then considered to be the director's assessment of fair value.

The impact on the financial statements of the revaluation in the current year is as follows:

- decrease the net book value of property, plant and equipment as at 16 August 2020 by £27,677,000;
- recognise a net non-underlying charge against operating profit of £40,129,000. This reflects the impact of downward revaluations of £54,070,000 where the fair value of the asset is below the net book value. Offsetting this charge is a £13,941,000 non-underlying credit against operating profit which reflects the impact of upward revaluations, where the fair value of the asset is greater than the net book value, and the credit to the income statement reverses a previous charge to the income statement for impairment; and
- recognise a £12,452,000 credit to the revaluation reserve through the Consolidated Statement of Comprehensive Income on upward revaluations where any impairment previously taken to the income statement has already been reversed.



## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the 52 weeks ended 16 August 2020

### 10. PROPERTY, PLANT AND EQUIPMENT (continued)

The impact on the financial statements of the revaluation in the prior year is as follows:

- decrease the net book value of property, plant and equipment as at 18 August 2019 by £3,011,000;
- recognise a net non-underlying charge against operating profit of £5,751,000. This reflects the impact of downward revaluations of £8,374,000 where the fair value of the asset is below the net book value. Offsetting this charge is a £2,623,000 non-underlying credit against operating profit which reflects the impact of upward revaluations, where the fair value of the asset is greater than the net book value, and the credit to the income statement reverses a previous charge to the income statement for impairment; and
- recognise a £2,740,000 credit to the revaluation reserve through the Consolidated Statement of Comprehensive Income on upward revaluations where any impairment previously taken to the income statement has already been reversed.

Surpluses arising from a revaluation increase are recognised directly in other comprehensive income in the revaluation reserve or are recognised as a credit in the income statement to the extent that they reverse a revaluation decrease of the same asset previously recognised as a charge to the income statement. Any deficit arising from a revaluation decrease is recognised as a charge to other comprehensive income in the revaluation reserve to the extent that there is a credit balance in the revaluation reserve in respect of that asset. Any further decrease in value is recognised as a charge to the income statement.

The cost of work in progress within property, plant and equipment at 16 August 2020 was £7,363,000 (August 2019: £9,522,000). Work in progress is not depreciated.

The group leases various licensed properties, offices and other commercial properties and other assets under finance leases. The leases have various terms, escalation clauses and renewal rights.

The group's borrowings are secured by way of fixed and floating charges over the properties included in land and buildings.

#### **Fair value measurement of property, plant and equipment**

Properties are revalued annually (from the second half of the 2015 financial year) to fair value in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation – Professional Standards January 2014 (revised April 2015), incorporating the International Valuation Standards 2013, and IFRS 13.

The valuations of assets have been assessed as being level 3 valuations, as there are no directly comparable market observable inputs. The appropriate classes of assets for fair value disclosures are deemed to be public houses and unlicensed properties, considering the nature, characteristics and risks of the assets.

The valuation is based on current and future projected trading levels of each property, taking in to account the location, physical attributes and sustainability of rent of each property. Once a fair maintainable trade (FMT) income stream has been determined for each pub, including an assessment of wholesale and machine income and rent that could be achieved with a reasonably efficient operator, taking into account future trading potential, it is capitalised using an appropriate multiple.

The unlicensed properties are valued considering the rents achieved and lease terms and then by using an appropriate multiple.

The assets are valued at their highest and best use which is deemed to be their current use by the group, unless when reviewed on an asset by asset basis circumstances indicate that there may be a higher or better use.

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**10. PROPERTY, PLANT AND EQUIPMENT (continued)**

The tables below show, for the properties that have been revalued in the year, by class of asset, the number of properties in each FMT and multiple banding.

<b>Public houses – number of properties</b>	<b>under 8 times</b>	<b>8-10 times</b>	<b>10 – 12 times</b>	<b>over 12 times</b>	<b>Total</b>
<b>FMT income</b>					
more than £90,000 p.a.	25	275	9	-	<b>309</b>
£60,000 to £90,000 p.a.	37	306	19	-	<b>362</b>
£30,000 to £60,000 p.a.	66	311	7	-	<b>384</b>
less than £30,000 p.a.	26	24	-	4	<b>54</b>
	<b>154</b>	<b>916</b>	<b>35</b>	<b>4</b>	<b>1,109</b>

The table below shows the reconciliation of level 3 fair value measurements.

	<b>Public houses £000</b>	<b>Unlicensed £000</b>	<b>Total £000</b>
Opening balance	763,543	4,806	768,349
Additions	26,862	3,386	30,248
Net transfers to non-current assets classified as held for sale	(5,888)	-	(5,888)
Transfers between classes	2,800	(2,800)	-
Revaluation:			
Recognised in the Income Statement	(40,129)	-	(40,129)
Recognised in the Statement of Comprehensive Income	12,452	-	12,452
Impairment losses (note 11)	(4,149)	(2)	(4,151)
Depreciation	(7,680)	(2)	(7,682)
Disposals	(3,713)	(2,008)	(5,721)
Closing balance	744,098	3,380	747,478
<b>Net book value of property, plant and equipment</b>			<b>747,478</b>

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**10. PROPERTY, PLANT AND EQUIPMENT (continued)**

**Sensitivities**

The significant unobservable inputs used in the level 3 fair value measurements of the group's estate are FMT and a multiple. Changes in these assumptions could have a significant impact on the valuation of the group's properties. The sensitivities below are considered to be reasonably likely.

Sensitivity	FMT +2% £000	FMT - 2% £000	Multiple +0.25 £000	Multiple -0.25 £000
Public houses and unlicensed	14,717	(14,717)	20,652	(20,585)

If land and buildings had been measured using the cost model, the carrying amounts would be as follows:

	Land and buildings £000
<b>At 16 August 2020</b>	
Cost	865,814
Accumulated depreciation	(10,942)
<b>Net book value</b>	<b>854,872</b>

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**11. IMPAIRMENT LOSSES**

**Property, plant and equipment**

When any indicators of impairment are identified, property, plant and equipment is reviewed for impairment based on each cash generating unit (CGU). The cash generating units are individual pubs. The carrying values of these individual pubs are compared to the recoverable amount of the CGUs, which is the higher of value-in-use (VIU) and fair value less costs to sell (FVLCS).

During the year, the FVLCS of the assets transferring into the non-current assets classified as held for sale category, have been reviewed, and an impairment of £4,151,000 (18 August 2019: £4,598,000) has been identified. In addition, the FVLCS of assets already classified as held for sale were reviewed and an impairment of £130,000 (18 August 2019: £139,000) was identified. The FVLCS was assessed on both external and internal valuations.

The impairments recognised in the current and prior periods are as follows:

	52 weeks to 16 August 2020 £000	52 weeks to 18 August 2019 £000
Property, plant and equipment through income statement	4,151	4,598
Non-current assets classified as held for sale	130	139
Recognised in the income statement	4,281	4,737

**12. TRADE AND OTHER RECEIVABLES**

	16 August 2020 £000	18 August 2019 £000
<b>Amounts falling due within one year</b>		
Trade receivables	7,049	5,466
Prepayments	1,419	2,755
Amounts due from other companies in the Vine Acquisitions Limited Group	8,905	10,503
	17,373	18,724

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**13. DEFERRED TAX**

The movement on the deferred tax account is as follows:

**Deferred tax**

	16 August 2020 £000	18 August 2019 £000
Liabilities at beginning of period	(14,220)	(10,175)
Charged to income statement (note 8)	(2,760)	(4,368)
Charged to other comprehensive income (note 8)	380	323
<b>Deferred tax liabilities at end of period</b>	<b>(16,600)</b>	<b>(14,220)</b>

The movements in deferred tax assets and liabilities during the period are shown below:

**Deferred tax assets**

	Tax losses £000	Retirement benefit liabilities £000	Other £000	Total £000
At 18 August 2018	1,466	341	419	2,226
(Charged) / credited to income statement	(603)	69	(61)	(595)
Credited to equity	-	323	-	323
At 18 August 2019	863	733	358	1,954
(Charged) / credited to income statement	102	26	(27)	101
Credited to equity	-	380	-	380
<b>At 16 August 2020</b>	<b>965</b>	<b>1,139</b>	<b>331</b>	<b>2,435</b>

**Deferred tax liabilities**

	Accelerated capital allowances £000
At 18 August 2018	12,401
Charged to income statement	3,773
At 18 August 2019	16,174
Charged to income statement	2,861
<b>At 16 August 2020</b>	<b>19,035</b>

At the balance sheet date, the group has unused tax losses of £9,409,000 (August 2019: £5,080,000) and unused capital losses of £2,605,000 (August 2019: £nil) available for offset against future profits. A deferred tax asset has been recognised in respect of £9,409,000 (August 2019: £5,080,000) of such losses, which are expected to be utilised against future profit streams within the group. Current legislation deems that these losses may be carried forward for an unlimited number of years. The availability of sizeable capital allowance pools amounting to c.£141.8 million at the period end is expected to result in limited corporation tax payments being due for the next financial year.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**14. CASH**

	<b>16 August 2020 £000</b>	<b>18 August 2019 £000</b>
Cash and cash equivalents	<b>61,691</b>	<b>73,434</b>

**15. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**

	<b>16 August 2020 £000</b>	<b>18 August 2019 £000</b>
Non-current assets classified as held for sale	<b>11,506</b>	<b>14,735</b>

Non-current assets classified as held for sale represents pubs that are individually being actively marketed for sale with varying expected completion dates within one year. The value of non-current assets classified as held for sale represents the lower of the carrying value of the asset and expected net disposal proceeds.

**16. TRADE AND OTHER PAYABLES**

	<b>16 August 2020 £000</b>	<b>18 August 2019 £000</b>
Trade payables	<b>2,001</b>	<b>2,359</b>
Other tax and social security payable	<b>3,438</b>	<b>1,711</b>
Other payables	<b>7,098</b>	<b>7,885</b>
Accruals	<b>7,711</b>	<b>8,596</b>
Amounts owed to other companies in the Vine Acquisitions Limited Group	<b>11,946</b>	<b>15,196</b>
	<b>32,194</b>	<b>35,747</b>

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the 52 weeks ended 16 August 2020

### 17. LEASES

The group has applied IFRS 16 using the modified retrospective approach with a transition date of 19 August 2019 to calculate the opening liability and right of use asset. The impact of these changes is documented in note 1.

#### Group as a Lessee

The Group leases various licensed properties, offices and other commercial properties under lease agreements. The leases have various terms, escalation clauses and renewal rights. The Group also leases vehicles for use within the business. The terms of these contracts vary and the assets generally have a lease term of 25 years to 99 years with a median term of 60 years. All the leases met the operating lease criteria where the group was a lessee.

The group also has certain leases with lease terms of less than 12 months and leases that are classed as low value. The group applies the "short term lease" and "lease of low value assets" recognition exemption for these disclosures.

Right of use assets and lease liabilities are recognised for each lease agreement for which the Group is a lessee.

<b>Right of use assets</b>	<b>Property £000</b>
<b>Cost</b>	
At 19 August 2019 (note 1)	7,660
<b>At 16 August 2020</b>	<b>7,660</b>
<b>Accumulated depreciation</b>	
At 19 August 2019 (note 1)	331
Charge for the year	411
<b>At 16 August 2020</b>	<b>742</b>
<b>Net book value at 16 August 2020</b>	<b>6,918</b>

On transition the group elected to adopt the practical expedient available by utilising the onerous lease provision to offset the right of use asset rather than performing a separate impairment review on transition for the leases with an onerous lease provision. See note 21 for details of the provision utilisation and note 1 for details on the transition adjustments to IFRS 16.

A separate impairment assessment was made on the on the year end right of use asset and no impairment was required.

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**17.LEASES (continued)**

**Lease liabilities**

	<b>£000</b>
At 19 August 2019 (note 1)	7,660
Finance costs on lease liabilities	536
Repayment of lease liabilities	(838)
Remeasurement	(17)
<b>At 16 August 2020</b>	<b>7,341</b>

Lease liabilities have been analysed between current and non-current as follows:

	<b>16 August 2020 £000</b>
Current	799
Non-current	6,542
	<b>7,341</b>

The company has no right of use assets or lease liabilities.



**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**18. BORROWINGS**

	16 August 2020			18 August 2019		
	Amounts falling due		Total £000	Amounts falling due		Total £000
	within one year £000	after more than one year £000		within one year £000	after more than one year £000	
<b>Secured loan notes</b>	<b>11,875</b>	<b>495,691</b>	<b>507,566</b>	<b>8,087</b>	<b>507,543</b>	<b>515,630</b>

**Secured loan notes**

The secured loan notes have been secured by way of fixed and floating charges over various assets of the group.

Interest is paid quarterly in arrears on all secured loan notes. Scheduled capital repayments are made quarterly on those loan notes that are amortising. The details for the secured loan notes, including the date of the final scheduled instalment for each class of note, as indicated in its description, are as follows:

*Issued by Punch Taverns Finance B Limited:*

	16 August 2020			18 August 2019		
	Amounts falling due		Total £000	Amounts falling due		Total £000
	within one year £000	after more than one year £000		within one year £000	after more than one year £000	
<b>Class A3</b> secured fixed rate notes repayable by September 2021 at 7.369% per annum	6,464	90,155	96,619	3,160	96,619	99,779
<b>Class A6</b> secured fixed rate notes repayable by September 2022 at 5.943% per annum	4,400	200,464	204,864	3,960	204,864	208,824
<b>Class A7</b> secured fixed rate notes repayable by March 2024 at 5.267% per annum	1,406	132,733	134,139	1,350	134,139	135,489
<b>Class B3</b> secured fixed rate notes repayable by December 2025 at 7.750% per annum	-	72,911	72,911	-	72,911	72,911
	<b>12,270</b>	<b>496,263</b>	<b>508,533</b>	<b>8,470</b>	<b>508,533</b>	<b>517,003</b>
Less: deferred issue costs	(395)	(572)	(967)	(383)	(990)	(1,373)
	<b>11,875</b>	<b>495,691</b>	<b>507,566</b>	<b>8,087</b>	<b>507,543</b>	<b>515,630</b>

<sup>1</sup> For 3 month deposits.

The interest rate exposure of the group's financial liabilities is set out below. There are no financial liabilities other than short term payables and provision for share schemes excluded from this analysis:

	16 August 2020			18 August 2019		
	Fixed £000	Floating £000	Total £000	Fixed £000	Floating £000	Total £000
<b>Secured loan notes</b>	<b>507,566</b>	<b>-</b>	<b>507,566</b>	<b>515,630</b>	<b>-</b>	<b>515,630</b>

**Interest rate analysis**

The weighted average effective interest rates of interest-bearing loans and borrowings at the balance sheet date are as follows:

	16 August 2020 %	18 August 2019 %
<b>Secured loan notes</b>	<b>6.3</b>	<b>6.3</b>

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the 52 weeks ended 16 August 2020

### 18. BORROWINGS (continued)

#### Maturity of group debt

The table below summarises the maturity profile of the group's debt at 16 August 2020 and 18 August 2019 based on contractual, undiscounted cash flows including interest.

	Period ended 16 August 2020				Total
	Within one year £000	One to two years £000	Two to five years £000	More than five years £000	£000
Interest bearing loans and borrowings					
- capital	12,270	108,003	315,349	72,911	508,533
- interest	31,706	25,913	29,914	2,825	90,358
	43,976	133,916	345,263	75,736	598,891

	Period ended 18 August 2019				Total
	Within one year £000	One to two years £000	Two to five years £000	More than five years £000	£000
Interest bearing loans and borrowings					
- capital	8,470	12,270	423,352	72,911	517,003
- interest	32,362	31,706	50,176	8,476	122,720
	40,832	43,976	473,528	81,387	639,723

The contractual maturity of trade and other payables is within one year.

### 19. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	16 August 2020 £000	18 August 2019 £000
<b>Financial assets</b>		
Receivables (amortised cost)	15,954	15,969
Cash and short-term deposits	61,691	73,434
	77,645	89,403
<b>Financial liabilities</b>		
Amortised cost	528,611	541,070
	528,611	541,070

The group holds financial assets and financial liabilities, in particular borrowings, at amortised cost as shown in note 18, as well as cash.

All derivative financial instruments are held on the balance sheet at fair value; the gain or loss relating to the movement in fair value of derivative financial instruments are recognised immediately in the income statement.

The group's principal financial instruments comprise borrowings, cash and liquid resources. The main purpose of these financial instruments is to provide finance for the group's operations. The group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk, capital risk, credit risk and market risk. There is no material currency exposure as all material transactions and financial instruments are in sterling. The group has no material exposure to equity securities or commodity price risk and it is the group's policy that no speculative trading in financial instruments shall be undertaken.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the 52 weeks ended 16 August 2020

### 19. FINANCIAL INSTRUMENTS (continued)

#### *Interest rate risk*

As the group has no significant interest bearing assets, other than cash and cash equivalents, the group's income and operating cash flows are substantially independent of changes in market interest rates. Income and cash flows from cash and cash equivalents fluctuate with interest rates.

All loans at 18 August 2019 were at fixed rate thereby largely eliminating the group's exposure to changes in interest rates. The cash balances attract interest at floating rates.

Cash flows associated with cash deposits, debt and the fair value of these instruments fluctuate with changes in interest rates. If the interest rates had been 1% higher or lower during the period, the effect on the income statement would be as follows:

	Interest receivable £000	Interest payable £000
<b>Period ended 16 August 2020</b>		
Impact on income statement if interest rates increased by 1%: gain / (loss)	610	-
Impact on income statement if interest rates decreased by 1%: (loss) / gain	(390)	-
<b>Period ended 18 August 2019</b>		
Impact on income statement if interest rates increased by 1%: gain / (loss)	665	-
Impact on income statement if interest rates decreased by 1%: (loss) / gain	(424)	-

#### *Liquidity risk*

The group's funding strategy is to ensure a mix of financing methods offering flexibility and cost-effectiveness to match the requirements of the group. The group is largely financed by secured loan notes. As at 16 August 2020 approximately 76% of the capital balance of the loan notes was repayable after more than two years. The Board continues to review alternative sources of finance. The group's objective is to smooth the debt maturity profile and to arrange funding ahead of requirements such that maturing short term debt may be refinanced or paid as it falls due. Cash flow forecasts are frequently produced to assist management in identifying liquidity requirements and are stress-tested for possible scenarios. Cash balances are invested in short term deposits such that they are readily available to settle short term liabilities or to fund capital additions.

As at 16 August 2020 the group held an undrawn liquidity facility of £57,172,000 within the Punch B securitisation. The liquidity facilities are available to meet debt service obligations falling due in the securitisations to the extent that there are insufficient funds available from operations to meet such payments, and for no other purpose.

#### *Security*

The group is financed through a whole business securitisation, the Punch B Securitisation. The loan notes for the securitisation are secured by way of fixed and floating charges against the assets and undertakings of each securitisation group. As at 16 August 2020 the properties in the Punch B Securitisation had a net book value of £758,984,000.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the 52 weeks ended 16 August 2020

### 19. FINANCIAL INSTRUMENTS (continued)

#### Punch B Securitisation

Senior Debt has security over the Punch B Note Issuer's assets and undertaking as well as a first-ranking fixed charge over shares in Punch Taverns (PMH) Limited and a first-ranking floating charge over the assets and undertaking of a Punch Taverns Intermediate Holdco (B) Limited.

Junior debt does not have any security over the Punch B Note Issuer's assets and undertaking but has a first-ranking fixed charge over shares in Punch Taverns Intermediate Holdco (B) Limited and a first-ranking floating charge over the assets and undertaking of Punch Taverns Holdco (B) Limited.

#### Covenants

The securitisation has the following covenants that are tested at each quarter end:

Ratio of:

- EBITDA to Interest Charges not less than 1.58 : 1 (increasing to 1.70 :1 by August 2022)
- Free Cash Flow to Debt Service not less than 1.00 : 1
- Net Senior Debt to EBITDA not greater than 6.00 : 1

The securitisation also has a Minimum Net Worth covenant of £50m that is tested annually.

As at the balance sheet date there is headroom in all of these covenants.

On 18 May 2020 Noteholders approved a simple and targeted amendment to the basis on which the Securitisation's EBITDA is calculated for covenant purposes in order to deal specifically with the impact of the COVID-19 Restrictions, and to permit Punch to accommodate rent deferrals or reductions for tenants who are struggling to pay their rent on time during the period that the COVID-19 Restrictions are in place.

Forecasts of covenant compliance are reviewed at Board level.

#### Capital risk

The group's capital structure is made up of net debt, issued share capital and reserves. These are managed effectively to minimise the group's cost of capital, to add value to shareholders and to service debt obligations. The securitised debt is monitored by a variety of measures, which are reported to the debt providers on a quarterly basis. The group assesses the performance of the business, the level of available funds and the short to medium term strategic plans concerning capital spend as well as the need to meet financial covenants and such assessment influences the level of dividends payable. The group monitors capital on the basis of a net debt ratio, being net debt divided by net debt plus equity.

	16 August 2020 £000	18 August 2019 £000
Total debt (excluding deferred issue costs)	508,533	517,003
Cash	(61,691)	(73,434)
Net debt	446,842	443,569
Equity	270,944	300,544
Net debt ratio	62%	60%

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the 52 weeks ended 16 August 2020

### 19. FINANCIAL INSTRUMENTS (continued)

#### **Credit risk**

With the exception of cash and short term deposits invested with banks and financial institutions, there are no significant concentrations of credit risk within the group. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date. The group's objective is to minimise credit risk by ensuring that surplus funds are invested with banks and financial institutions with appropriate credit ratings and that the group deals with third parties that have been subject to credit checks, or that have good credit scores, where appropriate. Trade and other receivables, as shown on the consolidated balance sheet, comprise a large number of individually small amounts from unrelated customers and are shown net of a provision for doubtful debts. Management estimates the provision for doubtful debts based on a review of all individual receivable accounts, experience and known factors at the balance sheet date, taking into account any collateral held in the form of cash deposits, which is quantified. These cash deposits are applied against unpaid debt when publicans leave the pubs and vary in size. The amount of cash deposits held at 16 August 2020 is £5,096,000 (18 August 2019: £5,693,000). These are held on the balance sheet within trade and other payables. Receivables are written off against the doubtful debt provision when management deems the debt no longer recoverable. Due to Covid-19 the provision has seen an increase within the year.

An analysis of the provision held against trade receivables for doubtful debts is shown below:

	16 August 2020 £000	18 August 2019 £000
Provision for doubtful debts at beginning of period	633	759
Charged to income statement	541	1,031
Utilised during the period	1,381	(1,063)
Released during the period	(536)	(94)
Provision for doubtful debts at end of period	2,019	633

The ageing of trade receivables at the balance sheet date, net of the doubtful debt provision, is as follows:

	16 August 2020 £000	18 August 2019 £000
Current	3,524	5,060
Overdue	3,525	406
	7,049	5,466

There are no indicators at 16 August 2020 that debtors will not meet their payment obligations in respect of the net amount of trade receivables recognised in the balance sheet.

#### **Fair value of non-derivative financial assets and liabilities**

With the exception of the group's secured loan notes, there are no material differences between the carrying value of non-derivative financial assets and financial liabilities and their fair values as at the balance sheet date.

The carrying value of the group's secured loan notes at 16 August 2020 is £507,566,000 (18 August 2019: £515,630,000) and the fair value, measured at market value, of this debt at that date is £484,381,000 (18 August 2019: £544,385,000).

The fair value of the group's secured loan notes have been measured by a level 1 valuation method as defined below.

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**19. FINANCIAL INSTRUMENTS (continued)**

***Fair value hierarchy***

Financial instruments carried at fair value are required to be measured by reference to the following levels:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**20. OTHER NON-CURRENT PAYABLES**

	16 August 2020	18 August 2019
	£000	£000
Loans owed to other companies in the Vine Acquisitions Limited Group	4,320	4,037

Loans owed to other companies in the Vine Acquisitions Limited Group relates to a subordinated loan with Punch Taverns Loanco (B) Limited of £4,320,000 (2019: £4,037,000) which is recognised at fair value.

**21. PROVISIONS**

Group	Property leases £000
At 18 August 2018	277
Charged to income statement	172
Unwinding of discount effect of provisions	19
Utilised during the period	(55)
At 18 August 2019	413
Derecognition on transition to IFRS 16 (note 1)	(413)
<b>At 16 August 2020</b>	<b>-</b>

Provisions have been analysed between current and non-current as follows:

	16 August 2020 £000	18 August 2019 £000
Current	-	29
Non-current	-	384
	-	413

**Property leases**

The provision for property leases 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. On transition to IFRS 16 on 19 August 2019, the Group has derecognised all provisions (see note 1).

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**22. SHARE CAPITAL**

	16 August 2020 No.	16 August 2020 £	18 August 2019 No.	18 August 2019 £
<b>Allotted, called-up and fully paid</b>				
Ordinary shares of £1.00	3	3	3	3

There are no movements in the called-up share capital in the current or prior year.

**23. NET DEBT**

**(a) Analysis of net debt**

	16 August 2020 £000	18 August 2019 £000
Loans owed to other companies in the Vine Acquisitions Limited Group	(4,320)	(4,037)
Secured loan notes	(508,533)	(517,003)
Cash and cash equivalents	61,691	73,434
<b>Nominal value of net debt</b>	<b>(451,162)</b>	<b>(447,606)</b>
Capitalised debt issue costs	967	1,373
<b>Net debt</b>	<b>(450,195)</b>	<b>(446,233)</b>
<b>Balance sheet:</b>		
Loans owed to other companies in the Vine Acquisitions Limited Group	(4,320)	(4,037)
Borrowings	(507,566)	(515,630)
Cash and cash equivalents	61,691	73,434
<b>Net debt</b>	<b>(450,195)</b>	<b>(446,233)</b>

**(b) Analysis of changes in net debt**

	At 18 August 2018 £000	Cash flow £000	Non-cash movements £000	At 18 August 2019 £000	Cash Flow £000	Non-cash movements £000	At 16 August 2020 £000
<b>Current assets</b>							
Cash at bank and in hand	71,739	1,695	-	73,434	(11,743)	-	61,691
	71,739	1,695	-	73,434	(11,743)	-	61,691
<b>Debt</b>							
Loans owed to other companies in the Vine Acquisitions Limited Group	(3,773)	-	(264)	(4,037)	-	(283)	(4,320)
Borrowings	(522,777)	7,536	(389)	(515,630)	8,470	(406)	(507,566)
	(526,550)	7,536	(653)	(519,667)	(3,273)	(689)	(523,629)
<b>Net debt per balance sheet</b>	<b>(454,811)</b>	<b>9,231</b>	<b>(653)</b>	<b>(446,233)</b>	<b>(3,273)</b>	<b>(689)</b>	<b>(450,195)</b>

Net debt incorporates the group's borrowings, cash-backed borrowings and derivative financial instruments, less cash and cash equivalents and restricted cash.

Non-cash movements relate to amortisation of deferred issue costs.

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**23. NET DEBT (continued)**

**(c) Reconciliation of net cash flow to movement in net debt**

	16 August 2020 £000	18 August 2019 £000
(Decrease) / increase in cash and cash equivalents in the period	(11,743)	1,695
Cash outflow from change in debt financing	8,470	7,536
<b>Change in net debt resulting from cash flows</b>	<b>(3,273)</b>	<b>9,231</b>
Non-cash movements in net debt	(689)	(653)
<b>Change in net debt resulting from non-cash flows</b>	<b>(689)</b>	<b>(653)</b>
<b>Movement in net debt</b>	<b>(3,962)</b>	<b>8,578</b>
Net debt at beginning of period	(446,233)	(454,811)
<b>Net debt at end of period</b>	<b>(450,195)</b>	<b>(446,233)</b>

**24. PENSIONS AND OTHER POST-RETIREMENT BENEFITS**

During the current and prior period, the group operated one funded defined benefit pension scheme; the Pubmaster Pension Scheme. The pension plan has not invested in any of the group's own financial instruments, nor in properties or other assets used by the group.

The tables below illustrate the impact of the defined benefit scheme on the income statement and the balance sheet.

Number of members in the defined benefit pension scheme at 16 August 2020:

	Active	Preserved	Pensioner
Number of members	2	184	351

The amounts recognised in the income statement are as follows:

Analysis of amounts charged to operating costs:

	52 weeks to 16 August 2020 £000	52 weeks to 18 August 2019 £000
Current service cost	(100)	(100)
Past service cost	-	(900)
<b>Total service cost</b>	<b>(100)</b>	<b>(1,000)</b>

Analysis of amounts included within finance income and finance costs:

	52 weeks to 16 August 2020 £000	52 weeks to 18 August 2019 £000
Net interest cost	(100)	(100)



## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the 52 weeks ended 16 August 2020

### 24. PENSIONS AND OTHER POST-RETIREMENT BENEFITS (continued)

Remeasurement gains and losses shown in the SOCI in the period:

	52 weeks to 16 August 2020 £000	52 weeks to 18 August 2019 £000
Actuarial (loss) / return on assets excluding interest income	(200)	4,500
Experience (loss) / gain on scheme obligations	(100)	2,900
Changes in assumptions underlying the present value of scheme obligations:		
Financial	(1,500)	(9,100)
Demographic	(200)	-
Remeasurement losses recognised in the SOCI	(2,000)	(1,700)

The amounts recognised in the balance sheet are as follows:

	16 August 2020 £000	18 August 2019 £000
Present value of scheme liabilities	(76,000)	(75,600)
Fair value of scheme assets	70,000	71,300
Net retirement benefit liability recognised in the balance sheet	(6,000)	(4,300)

Movements in the present value of scheme liabilities are as follows:

	52 weeks to 16 August 2020 £000	52 weeks to 18 August 2019 £000
Present value of scheme liabilities at beginning of year	75,600	69,400
Current service cost	100	100
Past service cost	-	900
Interest cost	1,300	1,700
Actuarial loss	1,800	6,200
Benefits paid	(2,800)	(2,700)
Present value of scheme liabilities at end of year	76,000	75,600

Movements in the fair value of scheme assets are as follows:

	52 weeks to 16 August 2020 £000	52 weeks to 18 August 2019 £000
Fair value of scheme assets at beginning of year	71,300	67,300
Interest on scheme assets	1,200	1,700
Remeasurement (loss) / gains	(200)	4,500
Contributions paid by employer	500	500
Benefits paid	(2,800)	(2,700)
Fair value of scheme assets at end of year	70,000	71,300

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.

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**24. PENSIONS AND OTHER POST-RETIREMENT BENEFITS (continued)**

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

	16 August 2020	18 August 2019
Equities	15.4%	15.4%
Bonds	34.0%	34.9%
Diversified growth funds	42.1%	41.8%
Other	8.5%	7.9%

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

	16 August 2020 £000	18 August 2019 £000	18 August 2018 £000	19 August 2017 £000	20 August 2016 £000
Present value of retirement benefit liabilities	(76,000)	(75,600)	(69,400)	(73,800)	(78,100)
Fair value of plan assets	70,000	71,300	67,300	67,200	66,400
Net liability in the scheme	(6,000)	(4,300)	(2,100)	(6,600)	(11,700)
Experience adjustments on scheme liabilities	(1,800)	(6,200)	3,800	(3,400)	(10,300)
Percentage of scheme liabilities	2.4%	8.1%	5.5%	4.6%	13.2%
Experience adjustments on scheme assets	(200)	4,500	200	1,000	3,900
Percentage of scheme assets	0.3%	6.3%	0.3%	1.5%	5.9%

The expected contributions to defined benefit schemes for the next financial year, beginning 15 August 2021, are £400,000.

**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 2016, updated to 18 August 2018, the balance sheet date.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the group must agree with the Trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective and contributions to pay for the future accrual of benefits. The Statutory Funding Objective does not currently impact on the recognition of the Scheme in these accounts.

The Scheme is managed by a board of Trustees appointed in part by the group (which includes a professional independent trustee) and part from elections by members of the Scheme. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustees delegate some of these functions to their professional advisers where appropriate.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the 52 weeks ended 16 August 2020

### 24. PENSIONS AND OTHER POST-RETIREMENT BENEFITS (continued)

The Scheme exposes the group to a number of risks:

- **Investment risk:** The Scheme holds investments in asset classes, such as equities, which have volatile market values. While these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- **Interest rate risk:** The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities, the value of the assets and liabilities may not move in the same way.
- **Inflation risk:** A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.
- **Mortality risk:** In the event that members live longer than assumed a deficit will emerge in the Scheme.
- **Member options:** Certain benefit options may be exercised by members without requiring the consent of the Trustees or the company, for example exchanging pension for cash at retirement. In this example, if fewer members than expected exchange pension for cash at retirement then a funding strain will emerge.
- **Insurer covenant risk:** The Trustees hold annuity policies for a group of pensioners in the Scheme. If the insurance company goes insolvent then these pensions will have to be provided directly by the Scheme and a deficit will emerge.

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:

	16 August 2020	18 August 2019
Male currently aged 50	23.1 years	23.1 years
Male currently aged 65	21.9 years	21.8 years
Female currently aged 50	25.6 years	25.2 years
Female currently aged 65	24.3 years	23.8 years

The assumptions used in determining the valuations are as follows:

	16 August 2020	18 August 2019
Rate of increase of salaries	4.00%	4.25%
Rate of increase in pensions	2.55%	2.65%
Discount rate	1.55%	1.80%
Inflation assumption (RPI)	3.30%	3.55%
Inflation assumption (CPI)	2.50%	2.55%

## NOTES TO THE GROUP FINANCIAL STATEMENTS

for the 52 weeks ended 16 August 2020

### 24. PENSIONS AND OTHER POST-RETIREMENT BENEFITS (continued)

The results are very sensitive to the assumptions used. The table below shows the approximate effect on the Scheme's liabilities of changing some of the key financial assumptions, whilst all other assumptions remain the same. The impact of adjustments to assumptions are as follows:

Adjustments to assumptions	Approximate effect on liabilities and deficit £000
Reduce discount rate by 0.1% per annum	1,202
Increase inflation by 0.1% per annum (and all associated assumptions)	832

The assets in the scheme are:

	Value at 16 August 2020 £000	Value at 18 August 2019 £000
Equities	10,800	11,000
Bonds	23,800	24,900
Diversified growth funds	29,500	29,700
Insured pensions	600	700
Direct lending	4,600	4,600
Cash	700	400
Total market value of assets	70,000	71,300
Present value of scheme liabilities	(76,000)	(75,600)
Net pension liability before deferred tax	(6,000)	(4,300)
Deferred tax asset	1,100	700
Net pension liability	(4,900)	(3,600)

#### Pension risk

The group operates one defined benefit pension scheme which is closed to new members. The scheme is subject to risk regarding the relative amount of the scheme's assets, which are affected by the value of investments and the returns generated by such investments, compared to the scheme's liabilities, which are affected by changes in the life expectancy, actual and expected price inflation, changes in bond yields and future salary increases. The difference in value between scheme assets and scheme liabilities may vary significantly in the short term, potentially resulting in an increased deficit being recognised on the group's balance sheet.

In the current period, the group has made payments to the scheme totalling £451,000. The group has agreed to deficit reduction payments of £400,000 per annum to June 2020.

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**25. OPERATING LEASE COMMITMENTS – MINIMUM LEASE PAYMENTS**

Group	16 August 2020 £000	18 August 2019 £000
<b>Future minimum rentals payable under non-cancellable operating leases:</b>		
Within one year	799	981
Between one and five years	2,838	2,747
After five years	16,221	20,771
	<b>19,858</b>	<b>24,499</b>

Amounts recognised in profit or loss	16 August 2020 £000
Interest on lease liabilities	(536)
Depreciation on right of use asset	(411)
Rent concession expense	18
Profit on disposal of right of use asset	-

There are no variable lease payments, expenses relating to short term leases, expenses relating to low value assets or income from subletting properties recognised in the income statement.

**Group as a Lessor**

The group leases out its property assets to tenants in the form of operating leases. The remuneration received on these contracts is in the form of fixed rental payments. There is no variable rental payments applicable to the lessor contracts.

	Land and buildings 16 August 2020 £000	Land and buildings 18 August 2019 £000
Within one year	36,920	37,934
One to two years	30,663	33,074
Two to three years	26,949	29,082
Three to four years	25,311	24,872
Four to five years	18,943	21,106
After five years	72,131	68,473
	<b>210,917</b>	<b>214,541</b>

Amounts recognised in profit or loss	16 August 2020 £000
Rental income	29,814

**26. CAPITAL AND OTHER FINANCIAL COMMITMENTS**

Capital commitments for property, plant and equipment	16 August 2020 £000	18 August 2019 £000
Contracted but not provided	1,963	3,063

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**27. RELATED PARTY TRANSACTIONS**

**Transactions with key management personnel**

The key management personnel of the group in the current period comprise the directors. Remuneration of the directors is disclosed in note 7.

There are no other long-term benefits or termination benefits payable to key management personnel in the current or prior period.

The group has entered into a loan with Punch Taverns Loanco (B) Limited, a Vine Acquisitions Limited Group company. The loan principal of £7,000,000 is recognised at a fair value at the year end 16 August 2020 of £4,320,000 (18 August 2019: £4,037,000).

**Year end balances arising from transactions with subsidiary undertakings**

	<b>16 August 2020 £000</b>	<b>18 August 2019 £000</b>
Receivables	<b>8,905</b>	10,503
Payables	<b>11,964</b>	15,196

The year end balances above have arisen from trading transactions with other companies in the Vine Acquisitions Limited group.

**28. ULTIMATE PARENT UNDERTAKING**

Punch Taverns Holdco (B) Limited is incorporated and domiciled in England.

The company's immediate parent undertaking is Punch Taverns (PMG) Limited a company registered in England and Wales.

The company's ultimate parent undertaking and controlling party is Patron Capital, V L.P., a Jersey L.P. managed and controlled in Jersey.

The company and group are included in the Vine Acquisitions Limited consolidated accounts. This is the largest and smallest set of accounts the results are consolidated into.

Copies of the financial statements of Vine Acquisitions Limited are available from Companies House.

**COMPANY BALANCE SHEET**  
at 16 August 2020

	Notes	16 August 2020 £000	18 August 2019 £000
<b>Non-current assets</b>			
Investments in subsidiary undertakings	2	99,122	99,122
		<b>99,122</b>	<b>99,122</b>
<b>Current Assets</b>			
Debtors	3	121,861	121,861
		<b>121,861</b>	<b>121,861</b>
<b>Total assets</b>		<b>220,983</b>	<b>220,983</b>
<b>Current liabilities</b>			
Creditors: amounts falling due after more than one year	4	(218,290)	(218,290)
		<b>(218,290)</b>	<b>(218,290)</b>
<b>Net assets</b>		<b>2,693</b>	<b>2,693</b>
<b>Equity</b>			
Called up share capital	5	-	-
Share premium		2,693	2,693
<b>Total equity attributable to owners of the parent company</b>		<b>2,693</b>	<b>2,693</b>

On behalf of the Board



S Dando  
14 December 2020

Company number: 9233837

**COMPANY INCOME STATEMENT**  
for the 52 weeks ended 16 August 2020

As permitted by section 408 of the Companies Act 2006, the company's Income Statement has not been included in these Financial Statements. The company's profit for the 52 weeks ended 18 August 2019 was £nil (52 weeks ended 18 August 2018: £nil).

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
for the 52 weeks ended 16 August 2020

	Share capital £000	Share premium £000	Total equity £000
<b>Total equity at 16 August 2020, 18 August 2019 and 18 August 2018</b>	-	2,693	2,693



## NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the 52 weeks ended 16 August 2020

### 1. ACCOUNTING POLICIES

#### *Basis of preparation*

The company financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2017/18 Cycle) issued in March 2018 and effective immediately have been applied.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company's ultimate parent undertaking, Vine Acquisitions Limited, includes the company in its consolidated financial statements. The consolidated financial statements of Vine Acquisitions Limited are prepared in accordance with International Financial Reporting Standards and may be obtained from Companies House.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statements and related notes
- Comparative period reconciliations for share capital and tangible fixed assets
- Disclosures in respect of transactions with wholly owned fellow group companies
- Disclosures in respect of capital management
- The effects of new but not yet effective IFRSs
- Disclosures in respect of the compensation of key management personnel
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Vine Acquisitions Limited include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the company
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures

The company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The company has taken advantage of the exemption provided under s408 of the Companies Act 2006 not to publish its individual income statement and related notes.

The company financial statements are presented in sterling and all values are rounded to the nearest hundred thousand pounds, except where indicated.

**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**1. ACCOUNTING POLICIES (continued)**

**Significant accounting estimates and judgements**

There are no significant judgements or estimates required in the preparation of these financial statements.

**2. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS**

Company	Total £000
<b>Cost at 16 August 2020 and 18 August 2019</b>	<b>99,122</b>

Details of the subsidiary undertakings at 16 August 2020 are as follows:

**Subsidiary undertaking owned directly:**

Name of company	Nature of business
Punch Taverns Intermediate Holdco (B) Limited	Intermediate holding company

**Of which are directly or indirectly wholly owned subsidiaries of Punch Taverns Intermediate Holdco (B) Limited:**

**Key trading companies:**

Name of company	Nature of business
Punch Partnerships (PML) Limited	Pub operating company
Punch Taverns Finance B Limited	Financing company
Punch Taverns (PMH) Limited	Intermediate holding company

**Non-trading companies:**

InnSpired Group Limited	InnSpired Holdings Limited	Rhesus Limited
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**Dormant companies:**

Punch Taverns (Centrum) Limited	Punch Taverns (SPML) Limited	Punch Taverns (CPM) Limited
Punch Taverns (SPM) Limited	Punch Taverns (DPM) Limited	Mercury Taverns (Holdings) Limited
Mercury Taverns Limited	InnSpired Taverns II Limited	InnSpired Pubs Limited
InnSpired Developments Limited	InnSpired Company Limited	InnSpired (ESOP) Limited
Ushers of Trowbridge Limited	InnSpired Taverns Limited	

The Company owns 100% of the ordinary share capital directly or indirectly and controls 100% of the voting rights of the companies listed above.

All the companies listed above are incorporated in the United Kingdom other than Punch Taverns Finance B Limited which is incorporated in the Cayman Islands.

The registered office of Punch Taverns Finance B Limited is Maples and Calder, Ugland House, PO Box 309, George Town, Grand Cayman, Cayman Islands. The registered office of all other subsidiaries above is Jubilee House, Second Avenue, Burton upon Trent, Staffordshire, DE14 2WF.

During the period a review for impairment was carried out on the Company's investments in subsidiary undertakings, comparing the carrying amount to the recoverable amount, being the greater of fair value less costs to sell and value in use. As well as the cash flows associated with the value in use of the core estate, the assessment of impairment also takes into account other key cash flows and the repayment of debt.

**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
for the 52 weeks ended 16 August 2020

**3. DEBTORS: Amounts falling due within one year:**

	16 August 2020 £000	18 August 2019 £000
Loans due from group undertakings	121,861	121,861
	<b>121,861</b>	<b>121,861</b>

**4. CREDITORS: Amounts falling due within one year**

	16 August 2020 £000	18 August 2019 £000
Loans due to group undertakings	218,290	218,290
	<b>218,290</b>	<b>218,290</b>

**5. SHARE CAPITAL**

	16 August 2020 No.	16 August 2020 £	18 August 2019 No.	18 August 2019 £
<b>Allotted, called-up and fully paid</b>				
Ordinary shares of £1.00	3	3	3	3

There are no movements in the called-up share capital in the current or prior year.

## COMPANY INFORMATION

<p><b>Registered office</b>  Jubilee House  Second Avenue  Burton upon Trent  DE14 2WF  +44 (0)1283 501600</p> <p><b>Company number</b>  9233837</p> <p><b>Advisers</b>  Auditors  Cooper Parry Group Limited  Sky View  Argosy Road  East Midlands Airport  Derby  DE74 2SA  +44 (0) 133 241 1163</p> <p>Principal bankers  Barclays Bank plc  One Snowhill  Snow Hill Queensway  Birmingham  B3 2WN  +44 (0)121 480 5562</p> <p>Solicitors  Slaughter and May  One Bunhill Row  London  EC1Y 8YY  +44 (0)20 7600 1200</p>	<p><b>Financial calendar</b>  Half year end  Year end</p> <p><b>Directors of the Company</b>  S Dando  E Bashforth</p> <p><b>Secretary</b>  Francesca Appleby</p>	<p>28 February 2021  15 August 2021</p> <p>Director  Director</p>
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