PUNCH

Punch Pubs Group Limited

Condensed Consolidated Quarterly Management Accounts

For the 52 weeks ended 14 August 2022

Registered number: 13420745

Punch Pubs Group Limited

OPERATING AND FINANCIAL REVIEW

FOR THE 52 WEEKS ENDED 14 AUGUST 2022

Punch Pubs Group Limited announces its trading update for the 52 week period to 14 August 2022 (2021: 12 week period to 15 August 2021).

Current Trading

Sales have recovered well since reopening of pubs in 2021 following the national lockdowns implemented in response to the COVID-19 pandemic. Trade in the year was however negatively impacted by rising COVID-19 cases during December 2021 and the introduction of the Government's 'Plan B' restrictions which had a negative impact on the Group's Christmas trading period. Notwithstanding the challenging operating environment, we believe we delivered a solid financial performance.

For the 52 weeks to 14 August 2022 total revenue was £284.4 million compared to £42.8 million in the prior year period of 12 weeks to 15 August 2021 (which included only 8 weeks of trading activity as the Group acquired its trading subsidiaries on 23 June 2021).

EBITDA for the year was £81.4 million (2021: £14.1 million) of which £83.3 million was classed as Underlying EBITDA (2021: £14.2 million). This compares positively to the £76.0m of Adjusted Underlying EBITDA from the wider Punch Group (prior to Punch Pubs Group Limited being incorporated on 26 May 2021) in the year to August 2019, being the most recent financial year prior to the Covid pandemic.

Investing Activities

In the 52 week period the Group has spent £34.3 million (12 weeks 2021: £5.4m) on expansionary and maintenance capital, which included 66 transformational investments in converting pubs from Leased & Tenanted over to our Management Partnerships estate.

Net proceeds from the sale of properties in the period was £8.9 million (2021: £1.4 million) and cash spent on acquisitions amounted to £4.9 million (2021: £53.0 million for the acquisition of 56 pubs from Young's Ram Pub Co.).

Property Valuation

Property assets increased by £11.1 million in the year to £895.3 million (2021: £884.2 million). The Group's policy is to revalue its properties on a five-year rolling basis. For the year ended 14 August 2022 20% of the estate was valued by Savills (UK) Limited, independent chartered surveyors. The impact on the financial statements of the revaluation in the current year is to decrease the net book value of property, plant and equipment by £3.2 million (£18.5 million being charged to operating profit and a £15.3 million credit recognised in the revaluation reserve).

Financial Position

The Group generated a net cash inflow from operating activities for the period of £70.2 million (2021: £5.8 million).

As at the 14 August 2022 year end date the Group had £52.6 million of available liquidity (15 August 2021: £62.5 million), represented by £12.6m of cash balances and £40.0m remaining undrawn against the revolving credit facility.

CONDENSED CONSOLIDATED INCOME STATEMENT
for the 52 weeks ended 14 August 2022

	Notes	52 weeks ended 14 August 2022 Underlying items £m	Non-underlying items (note 3) £m	Total £m	12 weeks ended 15 August 2021 [2] Underlying items £m	Non-underlying items (note 3) £m	Total £m
Revenue	2	284.4	-	284.4	42.8	-	42.8
Operating costs before depreciation and amortisation		(201.1)	(1.9)	(203.0)	(28.6)	(0.1)	(28.7)
EBITDA[1]		**83.3**	**(1.9)**	**81.4**	**14.2**	**(0.1)**	**14.1**
Depreciation and amortisation		(15.6)	-	(15.6)	(2.3)	-	(2.3)
Profit on sale of property, plant and equipment and non-current assets classified as held for sale		-	2.4	2.4	-	0.1	0.1
Profit on disposal of right of use assets		-	-	-	-	0.1	0.1
Loss on sale of subsidiaries		-	-	-	-	(21.0)	(21.0)
Impairment	5	-	(3.4)	(3.4)	-	(2.3)	(2.3)
Movement in valuation of properties	5	-	(18.5)	(18.5)	-	(11.8)	(11.8)
Operating profit / (loss)		**67.7**	**(21.4)**	**46.3**	**11.9**	**(35.0)**	**(23.1)**
Finance costs	4	(47.0)	-	(47.0)	(7.4)	(34.4)	(41.8)
Profit / (loss) before taxation		**20.7**	**(21.4)**	**(0.7)**	**4.5**	**(69.4)**	**(64.9)**
UK income tax (charge) /credit		(2.3)	(0.4)	(2.7)	(0.1)	1.7	1.6
Profit / (loss) for the financial period		**18.4**	**(21.8)**	**(3.4)**	**4.4**	**(67.7)**	**(63.3)**
Loss attributable to non-controlling interest		0.2	**-**	0.2	0.1	**-**	0.1
Profit / (loss) for the financial period attributable to owners of the parent company		**18.6**	**(21.8)**	**(3.2)**	**4.5**	**(67.7)**	**(63.2)**

[1] EBITDA represents earnings before depreciation and amortisation, profit on sale of property, profit on disposal of right of use assets, loss on sale of subsidiaries, plant and equipment and non-current assets classified as held for sale, finance costs, impairment and movement in valuation of properties, tax of the Group and loss attributable to non-controlling interest.

[2] Punch Pubs Group Limited was incorporated on 26 May 2021 and acquired its subsidiaries on 23 June 2021 from Punch Taverns Limited as part of a larger restructure in connection with a refinancing. finance costs,
The prior year comparatives are for the 12 week period up to 15 August 2021 but the as the group acquired its trading subsidiaries on 23 June 2021, the quarter only includes 8 weeks of trade.
The prior year comparatives are taken from the audited accounts for the period to 15th August 2021.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the 52 weeks ended 14 August 2022

	Notes	52 weeks ended 14 August 2022 £m	12 weeks ended 15 August 2021 £m
Profit / (loss) for the financial period attributable to owners of the parent company		**(3.2)**	**(63.2)**
Items that cannot be recycled subsequently to the income statement			
Remeasurement of defined benefit pension scheme		5.2	1.6
Unrealised surplus on revaluation of properties	5	15.3	22.2
Tax relating to components of other comprehensive income that cannot be reclassified into profit or loss		(1.2)	(0.1)
Other comprehensive profit for the period		**19.3**	**23.7**
Total comprehensive profit / (loss) for the period attributable to owners of the parent company		**16.1**	**(39.5)**

CONDENSED CONSOLIDATED BALANCE SHEET
at 14 August 2022

	Notes	14 August 2022 £m	15 August 2021 £m
Non-current assets			
Property, plant and equipment	5	889.9	879.0
Right of use assets	7	63.7	60.0
Intangible assets	6	0.5	0.8
		954.1	**939.8**
Current assets			
Inventories		4.0	2.7
Trade and other receivables	8	13.6	11.8
Assets classified as held for sale	5	5.4	5.2
Cash and cash equivalents		12.6	22.5
		35.6	**42.2**
Total assets		**989.7**	**982.0**
Current liabilities			
Trade and other payables	9	(49.2)	(59.4)
Short-term borrowings	10	(30.0)	(30.0)
Lease liabilities	7	(9.2)	(11.0)
		(88.4)	**(100.4)**
Non-current liabilities			
Borrowings	10	(590.8)	(588.4)
Lease liabilities	7	(67.0)	(64.0)
Retirement benefit obligations	12	-	(5.7)
Deferred tax liability		(16.5)	(12.6)
		(674.3)	**(670.7)**
Total liabilities		**(762.7)**	**(771.1)**
Net assets		**227.0**	**210.9**
Equity			
Called up share capital		-	-
Revaluation reserve		37.4	22.2
Retained earnings		230.3	229.2
Reorganisation reserve		(40.4)	(40.4)
Equity attributable to owners of the parent company		**227.3**	**211.0**
Non-controlling interests		(0.3)	(0.1)
Total equity		**227.0**	**210.9**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 52 weeks ended 14 August 2022

	Share capital £m	Share premium £m	Revaluation reserve £m	Retained earnings £m	Reorganisation reserve £m	Non-controlling interests £m	Total equity £m
Total equity at 26 May 2021	-	-	-	-	-	-	-
Loss for the period	-	-	-	(63.1)	-	(0.1)	(63.2)
Other comprehensive gains / (losses) for the period	-	-	22.2	1.5	-	-	23.7
Total comprehensive profit for the period	-	-	22.2	(61.6)	-	(0.1)	(39.5)
Acquisition of subsidiary	-	-	-	-	(40.4)	-	(40.4)
Share issue	-	290.4	-	-	-	-	290.4
Share premium reduction	-	(290.4)	-	290.4	-	-	-
Share based payments	-	-	-	0.4	-	-	0.4
Total equity at 15 August 2021	**-**	**-**	**22.2**	**229.2**	**(40.4)**	**(0.1)**	**210.9**
Loss for the period	-	-	-	(3.2)	-	(0.2)	(3.4)
Other comprehensive gains for the period	-	-	15.3	4.0	-	-	19.3
Total comprehensive profit / (loss) for the period	-	-	15.3	0.8	-	(0.2)	15.9
Share based payment	-	-	-	0.2	-	-	0.2
Transfer on disposal of property, plant and equipment and non-current assets classified as held for sale	-	-	(0.1)	0.1	-	-	-
Total equity at 14 August 2022	**-**	**-**	**37.4**	**230.3**	**(40.4)**	**(0.3)**	**227.0**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the 52 weeks ended 14 August 2022

	52 weeks ended 14 August 2022 £m	12 weeks to 15 August 2021 £m
Cash flows from operating activities		
Operating profit / (loss)	46.3	(23.1)
Depreciation and amortisation	15.6	2.3
Profit on sale of property, plant and equipment and non-current assets classified as held for sale	(2.4)	(0.1)
Profit on disposal of right of use assets	-	(0.1)
Loss on sale of subsidiaries	-	21.0
Impairment	3.4	2.3
Movement in valuation of properties	18.5	11.8
Increase in inventories	(1.3)	(0.1)
Increase in trade and other receivables	(1.9)	(6.5)
Decrease in trade and other payables	(7.3)	(1.5)
Difference between pension contributions paid and amounts recognised in the income statement	(0.7)	(0.2)
Cash generated from operations	**70.2**	**5.8**
Income tax paid	-	-
Net cash generated from operating activities	**70.2**	**5.8**
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	-	93.3
Purchase of property, plant and equipment		
- acquisitions	(4.9)	(53.0)
- investments	(34.3)	(5.4)
Proceeds from sale of property, plant and equipment and non-current assets classified as held for sale	8.9	1.4
Purchase of other intangible assets	-	(0.3)
Net cash used in investing activities	**(30.3)**	**36.0**
Cash flows from financing activities		
Repayment of borrowings	-	(598.0)
Proceeds from debt issue	-	600.0
Proceeds from facility drawdown	10.0	30.0
Repayment of facility principle	(10.0)	-
Payment of lease liability	(11.9)	(2.4)
Interest paid	(39.4)	(8.0)
Debt issue costs	-	(11.9)
Debt extinguishment costs	-	(29.2)
Intercompany settlement	1.5	0.1
Issue of equity	-	0.1
Net cash used in financing activities	**(49.8)**	**(19.3)**
Net increase / (decrease) in cash and cash equivalents	**(9.9)**	**22.5**
Cash and cash equivalents at beginning of period	22.5	-
Cash and cash equivalents at end of period	**12.6**	**22.5**

NOTE TO THE CONDENSED FINANCIAL STATEMENTS
for the 52 weeks ended 14 August 2022

1. ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated financial statements presented in this document have been prepared using accounting policies that are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the 12 weeks ended 15 August 2021 and which are expected to apply at 14 August 2022, which are prepared in accordance with IFRS as adopted by the United Kingdom.

These financial statements do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The condensed financial information for the 52 weeks ended 14 August 2022 are unaudited.

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

Going concern

The Directors have made enquiries into the adequacy of the Group's financial resources, through a review of the Group's budget and medium-term financial plan, including capital expenditure plans and cash flow forecasts.

Liquidity and financing:
The Group is financed through a £600.0m 5-year secured loan and a £70.0m revolving credit facility agreement. As at the 14 August 2022, the quarter end date, the Group had £12.6m of cash balances and £40.0m remaining undrawn against the revolving credit facility.

After due consideration the Directors' believe that they have a reasonable expectation that the Group has sufficient resources together with the ability to access additional liquidity when the Group needs to withstand adjustments to the base forecast, as well as the downside scenarios and to continue in operational existence for a period of at least 12 months from the date of approval of these condensed financial statements, and therefore continue to adopt the going concern in their preparation.

Basis of consolidation

Consolidated financial statements comprise the financial statements of the parent company (Punch Pubs Group Limited) and all of its subsidiaries. The book-value method of accounting has been applied for those subsidiaries acquired under common control.

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.

Using the book-value method, a subsidiary acquired under common control would be 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. Assets and liabilities of the transferred subsidiary company are recognised in the consolidated financial statements at the transferred company's book value, adjusted to align to the Group's accounting policies where applicable. Any difference between the book value of the assets and liabilities received and the consideration paid is recognised directly to equity under a reorganisation reserve.

The Group's interests in its associate company are incorporated in the financial statements using the equity method of accounting. Investments in associate company 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.

Other investments in which the Group has an interest are reviewed dependent on how much control the Group has. If the Group maintains day-to-day control over the investment, taking into account any potential voting rights, the investment is treated as a subsidiary and the results and position are consolidated into the Group financial statements.

Non-controlling interest in the net assets of the consolidated subsidiaries are identified separately from the Group's equity in those subsidiaries. The income for the year is allocated to the share attributable to the group and the non-controlling interest.

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.

NOTE TO THE CONDENSED FINANCIAL STATEMENTS
for the 52 weeks ended 14 August 2022

1. ACCOUNTING POLICIES

Property, plant and equipment

Revaluation
Properties are revalued professionally by independent valuers on a five-year rolling basis with directors performing a separate assessment of fair value for the remaining properties if any indicators of impairment have been identified.

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 10-30 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.

Intangible assets

Other intangible assets relates to computer software and licences that are depreciated over the shorter of the life of the asset or the contract term of the licence. If there is no contract term or end date of the licence the estimate useful lives of the assets are as follows:

Software- 3 to 10 years

Impairment

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.

NOTE TO THE CONDENSED FINANCIAL STATEMENTS
for the 52 weeks ended 14 August 2022

1. ACCOUNTING POLICIES

Borrowings

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.

If any debt or borrowings are terminated costs and fees are recognised as a gain or loss on the extinguishment of the debt. Any debt arrangement costs associated with previous loans that were extinguished in the year will be recognised as non-underlying finance costs.

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.

Equity instruments

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

Taxation

Income tax expense comprises both the income tax payable, based on taxable profits for the year, and deferred tax. The income tax expense for the year is estimated using profit for the year and then adjusting for non-tax allowable items including depreciation, amortisation, impairment, movement in valuation of properties and profit on the sale of property plant & equipment. The current tax rate of 19% is then applied to leave the current year tax expense.

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

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. If the pension scheme is in a net asset position, the scheme will be held at zero asset value.

The Group also contributes to money purchase pension plans for employees. Contributions are charged to the income statement as they become payable.

NOTE TO THE CONDENSED FINANCIAL STATEMENTS
for the 52 weeks ended 14 August 2022

1. ACCOUNTING POLICIES

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 and food sales
Revenue in respect of drink and food 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Stock is measured on a first in first out basis.

Trade and other receivables
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

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

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, liabilities 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.

Other investments

Other investments, such as holdings in shares in other companies, are held at fair value, and any movements in the fair value are taken to the income statement in the period they occur.

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.

NOTE TO THE CONDENSED FINANCIAL STATEMENTS
for the 52 weeks ended 14 August 2022

1. ACCOUNTING POLICIES

Lessee Accounting

The Group leases various licensed properties, offices and other commercial properties as well as vehicles under lease agreements. At inception of a contract the Group assesses whether the contract contains a lease. A lease is present where the contract grants the right to control the asset for a period of time in exchange for consideration. Where a lease is identified a right of use asset and a corresponding lease liability is recognised other than leases classed as “Short term,” less than 12 months, or “Low value,” under the available exemptions. Where the exemption has been taken advantage of the lease cost are recognised on a straight line basis over the life of the lease within the Consolidated Income Statement.

The lease payments are discounted using the Group’s incremental borrowing rate as 6.125% or 7% depending upon the date of lease liability being created. Prior to 24 June 2021 the incremental borrowing rate is set at 7% with the rate applied at 6.125% after this date.

Lease liability- initial recognition
The lease liability is initially measured at the present value of the lease payments not paid at the commencement date. If the discount rate isn’t explicitly included in the lease the payments are discounted at the Group’s incremental borrowing rate.

Lease payments included within the initial recognition include:

•Fixed payments (including in-substance fixed payments)
•Variable lease payments that depend on an index or rate at the commencement date
•Amounts expected to be payable by the lessee under residual value guarantees
•Exercise price of a purchase option if the Group is reasonably certain to exercise that option
•Payments for penalties for terminating the lease if the lease term reflects the Group exercising the option

Lease liability- subsequent measurment
The lease liability is subsequently measured by increasing the carrying value to reflect interest on the lease liability and by reducing the carrying value to reflect the lease payments.

Lease liability- remeasurement
The lease liability is remeasured where:

•Change in the assessment of the original lease information; being a change in the lease term or exercise of a purchase option.
•Lease payments change due to a change in an index or a rate or a change in expected payment under the residual value guarantee
•The lease contract is modified and the lease modification isn’t treated as a separate lease

Where the lease liability is remeasured an equivalent adjustment is made to the right of use asset unless its carrying value is reduced to zero, in which case the adjustment is recognised in the profit and loss.

When the lease liability is remeasured a revised discount rate is used based on the contract, or if none is available the Groups incremental borrowing rate.

Right of use asset- initial recognition
The right of use asset comprises of the following:

•Initial measurement of the lease liability
•Any lease payments made at the commencement date, less any lease incentives received
•Any initial direct costs incurred by the group in taking out the lease
•Estimate of costs to be incurred by the group to restore the underlying asset to the condition required by the lease

NOTE TO THE CONDENSED FINANCIAL STATEMENTS
for the 52 weeks ended 14 August 2022

1. ACCOUNTING POLICIES

Right of use- subsequent measurement
The right of use asset is depreciated over the shorter of the lease term and useful life of the asset on a straight line basis.

If a change in contract has been identified, see the "Lease liability- remeasurement" section for further information, the right of use asset will also be adjusted.

An impairment review will be undertaken in-line with the group impairment policy, as further described in note 1, any identified impairment will be recognised against the right of use asset.

Sale and leaseback
A sale and leaseback transaction is where the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the counterparty. If a sale and leaseback meets the criteria for a sale under IFRS 15 the transaction will be accounted for under IFRS 16. The group measures the right-of-use asset arising for the leaseback in proportion to the carrying balance of the asset directly before the sale and this will be recognised as an addition to the right of use asset and lease liability. The previous balance held for the asset will be derecognised in its entirety. For any sales that don't meet the recognition criteria under IFRS 15 a finance liability will be recognised for the consideration received.

For any sale and leaseback assets that are sold at above the market value of the asset these are accounted for as additional financing provided by the counterparty and be recognised as an increased lease liability for the amount. The premium received will be recognised within disposal proceeds within the Cashflow statement. For any assets sold at below market value will be accounted for as a prepayment of the lease liability.

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.

Government grants

Grants are recognised only when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Grants that are receivable as compensation for expenses already incurred are recognised in profit or loss in the period that they become receivable. Grant income has been recognised within underlying items in the previous year and non-underlying items in the current financial year.

Share based payment transactions

A number of employees of the group (including directors) receive an element of remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares in CF Cooper Acquisitions Limited ('equity-settled transactions').

Equity settled transactions are measured at fair value at the date of grant. The fair value of transactions involving the granting of shares is calculated by an external valuer using the most appropriate valuation mode at the date of issue. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of CF Cooper Acquisitions Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on a straight-line basis over the vesting period based on the company's estimate of how many of the awards will eventually vest. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification to the original award, as described in the previous paragraph.

NOTE TO THE CONDENSED FINANCIAL STATEMENTS
for the 52 weeks ended 14 August 2022

1. ACCOUNTING POLICIES

Significant accounting judgements
In the course of preparing the financial statements, they key judgements made in the process of applying the Group's accounting policies are detailed below:

Exceptional and non-underlying items

Management uses a range of measures to monitor assess the group's performance. Management judgement has been used to determine those items that should be classified as non-underlying so to give a better understanding of the underlying trading performance of the group.

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;
•Impairment
•Movement in valuation of properties
•Grant income;
•Profit / (loss) on sale of properties;
•Share based payments.

Significant accounting estimates

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.

Impairment of property, plant and equipment and non-current assets classified as held for sale
Property, plant and equipment and non-current assets classified as held for sale are reviewed for impairment if circumstances suggest that the carrying amount may not be recoverable. Recoverable amounts are determined based on value-in-use calculations 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.

Deferred tax asset recoverability
A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extend that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be utilised.

Valuation of property, plant and equipment
Properties will be revalued professionally by independent valuers on a five-year rolling basis to fair value in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation – Global Standards effective from 31 January 2022. 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.

Post-employment benefits
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.

Corporate information

Punch Pubs Group Limited is a private limited company incorporated and domiciled in England.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the 52 weeks ended 14 August 2022

2. TURNOVER

Turnover represents the amounts derived from provisions of goods and services to third parties which fall within the group's ordinary activities, stated net of value added tax. Rents receivable are recognised on a straight-line basis over the lease term. Other revenue represents machine income and accommodation sales which are recognised in the period to which it relates. Revenue in respect of drinks sales is recognised at the point at which the goods are provided. Turnover is derived soley within the United Kingdom.

Turnover includes:

	52 weeks to 14 August 2022 £m	12 weeks to 15 August 2021 £m
Drink and food revenue	246.4	37.4
Rental income	29.6	4.2
Other revenue	8.4	1.2
Total turnover	284.4	42.8

3. NON-UNDERLYING ITEMS

In order to provide a trend measure of underlying performance, profit is presented excluding items which management consider will distort comparability, either due to their significant 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 14 August 2022 £m	12 weeks to 15 August 2021 £m
Operating non-underlying items		
Professional fees, restructuring and other one-off costs	(2.4)	(0.5)
Share based payment charge	(0.2)	(0.4)
Grant income[1]	0.7	0.8
Loss on sale of subsidiaries	-	(21.0)
Profit on sale of right of use asset	-	0.1
Profit on sale of property, plant and equipment and non-current assets classified as held for sale	2.4	0.1
Impairment	(3.4)	(2.3)
Movement in valuation of properties	(18.5)	(11.8)
Total non-underlying operational items before tax	**(21.4)**	**(35.0)**
Finance non-underlying costs		
Fair value premium costs on settlement of intragroup loan	-	(2.5)
Costs of terminating finance arrangements	-	(31.9)
Total non-underlying finance costs before tax	**-**	**(34.4)**
Total non-underlying items before tax	**(21.4)**	**(69.4)**
Tax		
Tax impact of non-underlying items	(0.4)	1.7
Total non-underlying items after tax	**(21.8)**	**(67.7)**

[1] Grant income relates to grants received in the year from various counterparties. These include Retail & Hospitality Grants, Tiered Grants, Lockdown Payments, Restart Grants and Wet Led Grants.

4. FINANCE COSTS

	52 weeks to 14 August 2022 £m	12 weeks to 15 August 2021 £m
Interest payable on loan notes	38.6	6.4
Interest payable on lease liabilities	5.4	0.7
Net pension interest costs	0.6	-
Amortisation of deferred issue costs	2.4	0.3
Fair value premium costs on settlement of intragroup loan	-	2.5
Costs of terminating finance arrangements (note 3)	-	31.9
Total finance costs	**47.0**	**41.8**

5. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Public house fixtures and fittings £m	Assets held for resale £m	Total £m
Cost or valuation				
At 15 August 2021	855.3	25.0	5.8	886.1
Additions	24.9	11.7	-	36.6
Revaluation	(1.4)	(0.6)	-	(2.0)
Net transfers to non-current assets classified as held for sale	(4.4)	-	4.4	-
Disposals	(7.2)	(1.0)	(1.7)	(9.9)
At 14 August 2022	**867.2**	**35.1**	**8.5**	**910.8**
Accumulated depreciation and impairment				
At 15 August 2021	0.2	1.1	0.6	1.9
Charge for the period	3.5	7.6	-	11.1
Impairment losses	3.0	-	0.2	3.2
Revaluation	1.4	(0.2)	-	1.2
Net transfers to non-current assets classified as held for sale	(2.3)	(0.1)	2.4	-
Disposals	(1.3)	(0.5)	(0.1)	(1.9)
At 14 August 2022	**4.5**	**7.9**	**3.1**	**15.5**
Net book value at 14 August 2022	**862.7**	**27.2**	**5.4**	**895.3**
Net book value at 15 August 2021	855.1	23.9	5.2	884.2

The Group’s policy is to revalue its properties on a five year rolling basis. The valuation of the estate was performed by Savills (UK) Limited, independent chartered surveyors.

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 14 August 2022 by £3.2m;
- recognise a non-underlying debit against operating profit of £18.5m. This reflects the impact of downward revaluations of £18.5m where the fair value of the asset is below the net book value;
- recognise a £15.3m credit to the revaluation reserve. This reflects the impact of upward revaluations of £15.3m where the net book value of the asset is below the fair value.

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.

6. INTANGIBLE ASSETS

	Intangible assets £m
Cost	
At 15 August 2021	0.9
Additions	-
At 14 August 2022	**0.9**
Amortisation and impairment	
At 15 August 2021	0.1
Charge for the period	0.3
At 14 August 2022	**0.4**
Net book value at 14 August 2022	**0.5**
Net book value at 15 August 2021	0.8

Intangible assets relate to computer software.

7. LEASES

Group as a lessee

The Group leases various licensed properties, offices, vehicles and other commercial properties under lease agreements. The leases have various terms, escalation clauses and renewal rights.

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.

Right of use assets	**Property**	**Vehicles**	**Total**
	£m	**£m**	**£m**
Cost			
At 15 August 2021	61.6	0.4	62.0
Additions	2.3	0.9	3.2
Remeasurement	4.9	-	4.9
At 14 August 2022	**68.8**	**1.3**	**70.1**
Accumulated depreciation and impairment			
At 15 August 2021	2.0	-	2.0
Charge for the period	4.1	0.1	4.2
Impairment	0.2	-	0.2
At 14 August 2022	**6.3**	**0.1**	**6.4**
Net book value at 14 August 2022	**62.5**	**1.2**	**63.7**
Net book value at 15 August 2021	59.6	0.4	60.0

Lease liabilities	**£m**
At 15 August 2021	75.0
Additions	2.8
Remeasurement	4.9
Finance charge on lease liability	5.4
Repayments	(11.9)
At 14 August 2022	**76.2**

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

	14 August 2022
	£m
Current	(9.2)
Non-current	(67.0)
At 14 August 2022	**(76.2)**

8. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year	14 August 2022 £m	15 August 2021 £m
Trade receivables	4.9	6.2
Prepayments	7.8	3.0
Other receivables	0.9	0.7
Amounts due from group undertakings	-	1.9
	13.6	**11.8**

9. TRADE AND OTHER PAYABLES

Amounts falling due within one year	14 August 2022 £m	15 August 2021 £m
Trade payables	18.7	22.0
Accruals and deferred income	17.1	22.6
Social sercurity and other tax	3.7	4.9
Amounts owed to group undertakings	0.2	-
Loans owed to group undertakings	-	0.5
Other payables	9.5	9.4
	49.2	**59.4**

Loans owed to group undertakings related to a loan with Punch Pubs & Co Limited of £0.5m

10. BORROWINGS

The Group is funded by two external sources of financing, a £600.0m secured loan due June 2026 and a Revolving Credit Facility "RCF" for £70.0m, of which £30.0m was drawn at the previous year end. During the previous period £10.0m was drawn against the RCF and then paid back in the current period.

	£m
Current Liabilities	
Revolving credit facility	30.0
Non Current Liabilities	
Secured loan notes- Repayable June 2026 at 6.125%	590.8

The secured loan notes that are repayable in June 2026 are shown net of debt issue costs of £9.2m which have been capitalised as deferred issue costs and are amortised over the life of the loan. A repayment of £10m against the RCF was made in the period.

Interest is biannually in arrears, interest of £4.7m is accrued for at the period end for the amounts due on the RCF and the secured loans. This is expected to be paid within 12 months and accrued for within accruals and deferred income.

11. NET DEBT

Analysis of net debt

	14 August 2022 £m	15 August 2021 £m
Secured loan notes	(600.0)	(600.0)
Revolving credit facility	(30.0)	(30.0)
Cash and cash equivalents	12.6	22.5
Nominal value of net debt	**(617.4)**	**(607.5)**
Capitalised debt issue costs	9.2	11.6
Net debt	**(608.2)**	**(595.9)**
Balance sheet:		
Borrowings	(620.8)	(618.4)
Cash and cash equivalents	12.6	22.5
Net debt	**(608.2)**	**(595.9)**

Analysis of changes in net debt

	At 15 August 2021 £m	Cash flow £m	Non-cash movements £m	At 14 August 2022 £m
Current assets				
Cash and cash equivalents	22.5	(9.9)	-	**12.6**
Debt				
Secured borrowings	(618.4)	-	(2.4)	**(620.8)**
	(618.4)	-	(2.4)	**(620.8)**
Net debt per balance sheet	**(595.9)**	**(9.9)**	**(2.4)**	**(608.2)**

12. PENSIONS

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 2022, updated to 14 August 2022. The contributions to defined benefit schemes for this financial year, were £0.7m.

The Pubmaster Pension Scheme at 14 August 2022 had a net asset position of £1,618,000. This has not been recognised in line with our accounting policy and the book value is recorded as nil.