

PUNCH TAVERNS PLC

("Punch" or "the Group")

Preliminary Results for the 52 weeks to 20 August 2011

Underlying financial performance* - In line with market expectations

- EBITDA of £258 million (2010: £291 million)
- Profit before tax of £76 million (2010: £90 million)
- Basic earnings per share of 8.6p (2010: 9.9p)
- Operating cash flow of £202 million
- £113 million of cash reserves (at 7 October 2011) held outside the securitisations
- Net assets of £202 million (31p per share)

Operational highlights*

- First growth in average net income** per pub (+0.9%) for three years

Continued momentum in our core division

- £78,000 average net income per pub
- Core estate like-for-like net income** -2.1% (2010: -5.1%)

Asset disposals on track in our turnaround division

- Disposal proceeds of £108 million from the Punch leased estate, £3 million ahead of book value and at a multiple of 27 times EBITDA

Capital structure – Ongoing progress

- Gross Punch debt reduced by £133 million (5%)
- Pub estate valued at £2,832 million, £568 million above net debt***
- Reviewing options to optimise the capital structure and downsize the estate effectively

Roger Whiteside, Chief Executive Officer of Punch Taverns plc, commented

"I am pleased to report a year of good progress, which has seen the business deliver underlying results in line with market expectations. These results have been achieved despite the challenging UK economic, regulatory and fiscal conditions, which continue to impact on the licensed trade sector.

It has been a year of significant change for the business driven by the Group's strategic review and the subsequent demerger of the Spirit business. The demerger was completed on schedule and with minimum disruption, allowing us to maintain focus on our goals as a solely leased and tenanted business.

Our aim now is to become the UK's highest quality, most trusted and best value leased pub company. We are focused on creating value for our shareholders through successful long-term partnerships with our licensees in our core estate of 3,000 of the highest quality, best invested leased pubs in the country."

20 October 2011

* before non-underlying items and discontinued operations

** net income represents revenue less cost of drink sales (gross profit)

*** par value of net debt

Enquiries

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Forward-looking statements

This report contains certain statements about the future outlook for Punch. Although we believe our expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

The preliminary results presentation will be available on the Punch website www.punchtaverns.com from 11.00 BST. A live audio cast of the presentation will also be available.

PRELIMINARY RESULTS FOR THE 52 WEEKS TO 20 AUGUST 2011

Punch is a leading pub operator of 5,000 leased and tenanted pubs

Chairman's statement

I am pleased to have recently joined Punch as Chairman and look forward to working with the Board and the management team to build on the progress made during the last year.

Board changes

Following the demerger of the Spirit business there have been a number of changes to the Board. On behalf of the Board I would like to thank the outgoing Chairman Peter Cawdron for overseeing the successful demerger. Tony Rice and Mike Tye also stepped down from the Punch Board following the demerger and we wish Peter, Tony and Mike well for the future.

I am delighted to have Roger Whiteside as our CEO following the demerger. Roger's experience as managing director of the leased division of the Group provides operational and strategic continuity as the business continues to pursue its operational plans to restore the core estate to growth over the medium-term and extract maximum value from non-core assets.

Ian Dyson will remain as a non-executive director of Punch and I am pleased he has chosen to take on this role.

People

The Punch team have had to cope with enormous change this year as the Group demerged the Spirit business and created new teams for the purely leased and tenanted business. To have accomplished all of this and continued to improve the operational performance of the business is testament to their commitment and calibre.

Stephen Billingham
Chairman

Chief Executive Officer's review

I am pleased to report a year of good progress for the business, which has delivered underlying results in line with our expectations. These results have been achieved despite the challenging UK economic, regulatory and fiscal conditions, which continue to impact on the licensed trade sector.

It has been a year of significant change for the business driven by the Group's strategic review and the subsequent demerger of the Spirit business, on 1 August 2011. The demerger was completed on schedule and with minimum disruption to the business, allowing us to maintain focus on our goals as a solely leased and tenanted business.

Our aim now is to become the UK's highest quality, most trusted and best value leased pub company. We are focused on creating value for our shareholders through successful long-term partnerships with our licensees in our core estate of 3,000 of the highest quality, best invested leased pubs in the country.

The Pathway to Partnership programme is now complete and I am confident we can build on this strong platform to restore long-term sustainable growth to our core estate.

The focus for the coming year for our core estate will be our Reaching for Growth initiative, which will support the growth of the business in four key areas:

- i) Investment to improve the customer environment and increase food sales;
- ii) Attracting high-quality Partners;
- iii) Driving sales growth; and
- iv) Effective Punch support to improve the performance of all of our pubs.

The statutory results include a number of non-cash accounting charges that relate to previously announced asset write downs and as a consequence of the Spirit demerger. Full details of these accounting charges are provided within the financial review.

Following the demerger, Punch remains a highly leveraged business, albeit with significant cash resources (£113 million as at 7 October 2011) held outside of our securitisation structures. During the year net support into the securitisation structures amounted to £8 million. There are a number of constraints as a result of our debt structure and we are actively looking at all options to optimise Punch's capital structure to help facilitate delivery of value.

Market review and strategy update

Significant progress has been made through the successful delivery of our Pathway to Partnership programme, which has continued to deliver operational benefits throughout the financial year. Improving like-for-like trend performance, together with benefits from the ongoing disposal programme, delivered the first increase in average net income per pub for three years.

The UK on-trade market remains challenging with the long-term decline in drinking-out in pubs expected to continue, driven by changing consumer behaviour, relative price positioning and the impact of punitive tax and excessive regulation. These factors combined continue to affect the viability of small wet led pubs and the number of pubs in the UK is expected to continue to decline.

Considering these factors in our strategic review we determined that a more radical approach to our pub estate was required, to create a smaller, higher quality, geographically well-located portfolio which is positioned to adapt to these changing market conditions and support sustainable long-term growth for Punch and our Partners. In order to maximise the value of the business as it downsizes to a core estate of around 3,000 pubs, the pub estate has been organised into two divisions: core and turnaround, with separate teams focused on the specific plans for each division:

- The plan for the core division is to drive sustainable growth building on the platform created by the Pathway to Partnership programme. The core division will aim to attract the right Partners through new lease offers, expansion of the Punch Buying Club, further development of the skills of its Partner Development Managers and investment to drive sales, including food.
- The plan for the turnaround division is to maximise short-term returns with a clear focus on costs and cash flow. It is expected that these pubs will be disposed of over a five year period and will be phased to ensure a balance between speed of disposal and value. The majority of these pubs are on substantive agreements and will therefore continue to have access to the same support infrastructure as our core pubs to drive operational performance until the decision is made to dispose of them.

Business review

To assist in the understanding of the performance of the business, the underlying financial results for the core and turnaround estates have been separately disclosed:

	Core	Turnaround	Central	Punch
Aug-11 pub numbers	2,951	2,053	-	5,004
Revenue	£382m	£140m	-	£522m
Net income	£232m	£84m	-	£316m
EBITDA	£218m	£68m	£(28)m	£258m

Core estate

The core division comprising 2,951 pubs accounts for around 76% of Punch outlet EBITDA. These pubs have a much higher average net income per pub than the turnaround estate at approximately £78,000, and have demonstrated much greater resilience with a decline in net income of just 2.1% in the year.

i) Investing to improve the customer environment and increase food sales: We invested in 327 core pubs during the year with an estate wide (core and non-core) pub enhancement spend of £38 million. Investment values ranged from minor 'Sparkle' and 'Ready-for-Business' spends all the way up to individual 'Transformational' spends of £350,000. We are committed to developing an estate of well invested, high quality pubs representing the best leased pubs in the UK. Underlying this commitment, we expect to invest in over 400 core pubs over the coming year. We have an experienced food development team, supported by a dedicated marketing team, which alongside the targeted capital investment will drive further food penetration in the core estate over the coming years.

ii) Attracting high quality Partners: Completion of the Pathway to Partnership programme has created a platform on which we can set out to attract the best quality Partners to lease our core pubs. A limited number of these core pubs are expected to be returned to us each year and we aim to recruit the best Partners with the best business plans to create value in these pubs for the future. Approximately 95 per cent. of the pubs in the core estate are currently let on secure agreements leaving c.150 pubs available to let to new Partners. New applicant enquiries remain strong and we are attracting increased interest from small multiple pub operators and micro brewers.

iii) Driving sales growth: The Punch Buying Club has been in place for just over a year, with the Club already having more than 1,600 Partners across the estate and representing more than 21% of our total beer orders online. The Punch Buying Club is more than just an online ordering site, it gives Partners access to exclusive deals and through the Punch Buying Club blog, Partners can feedback on issues, seek advice, share best practice and access exclusive marketing and point of sale materials.

The Punch Buying Club also hosts our roadshows, the largest in the sector, bringing together a wide range of suppliers of drinks, food, services and expertise, all to help our Partners build their businesses. Last year saw over 2,600 Partners, representing 46 per cent. of our pubs, attending across eleven road show venues nationwide.

We believe Cask Ale plays a key role in differentiating a pub's retail offer and have invested heavily in this category over the past year. With Punch Buying Club help, our pubs have delivered more than 500 beer festivals and almost 1,000 have joined our Finest Cask scheme. As a company we work with more than 116 brewers of all sizes and over 100 cask ales are available to our estate through eleven regional depots, with more than 100 additional ales available on a regional rotation through our Finest Cask scheme. This year has seen more than 250 Punch pubs listed in the CAMRA Good Beer Guide, with a further 997 Cask Marque accredited.

Sport and entertainment also plays a key role in attracting customers out of their homes and is another area of investment focus. Punch organises the UK's biggest pub darts event creating over 5,000 nights out across the estate. This year we also organised our first ever national pub quiz attracting participation from over 400 pubs across the country.

iv) Effective Punch support: Partner Development Managers (PDM) are key to driving the performance of our pubs. Working purely in the core division, with a reduced number of pubs to manage, the PDMs' focus is to work with our Partners to improve retail performance in our pubs. As well as fewer pubs to look after we have increased their time spent in pubs by removing the property elements of their role. Key to this has been the recruitment of a RICS qualified team of Rental Valuation Surveyors to carry out all rent valuations.

PDMs visit their pubs regularly offering business and retail support and advice and providing access to specialist teams for investment, training, marketing and food development. Throughout the year we provided 5,274 training days to Partners, over 2,000 pub visits from our food specialists and supplied marketing materials to over 70 per cent. of our pubs.

We want to offer the best PDM support in the sector and are investing in their development and training. Last year we formed a pilot group with the BII to develop accredited training in multi site retail management at Level 4 and initiated a new Level 7 post graduate qualification for our highest performers in conjunction with Leeds Metropolitan University.

Turnaround estate

The turnaround division comprising 2,053 pubs accounts for around 24% of Punch outlet EBITDA. These pubs have a much lower average net income per pub at approximately £39,000, are predominantly small, with low turnover and are wet led. With limited scope for investment these pubs are more likely to be impacted by the long-term decline in drinking out and as a result are expected in time to generate more value through disposal than retention.

Maximising short-term returns: While these pubs remain in our portfolio we remain committed to driving operating performance and cash flow to maximise the profits from these outlets through tight operational management focusing on the basics. Pubs on substantive agreements account for 64 per cent. of the division and these pubs generate net income per pub of approximately £44,000. The number of closed pubs at the August year end is relatively small at 128 pubs and this number has continued to reduce since the year end. During the year we have reduced the rate of decline in like-for-like net income from 17 per cent. in 2010 to 13 per cent. in 2011. We are working with our Partners on substantive agreements to improve performance through the same activities on offer to Partners in the core estate.

Maximising value on disposal: Our disposals programme has gathered pace as the strategic review identified more pubs for disposal, which have now been added to our turnaround estate. We sold 398 pubs in the period, all but seven from the turnaround estate, for proceeds of £108 million. The disposed pubs generated just £4.0 million of EBITDA over the last 12 months, demonstrating the accretive nature of these disposals. Every site is individually reviewed by an extremely experienced property team to assess the highest cash return to the business by selling as a pub or through conversion / redevelopment. Despite creating significant value through conversion to uses like convenience stores, approximately two thirds of the properties remain as pubs following sale.

Industry issues

Punch is committed to developing a responsible approach in working with our Partners and in the marketplace in which we operate.

This can be seen from the proactive approach we have taken to evolving the leased business model as we focus on long-term sustainable value creation for ourselves and our Partners. A key element of this is our commitment to develop more open relationships with our Partners through our strategic change programme called 'Pathway to Partnership', setting ourselves the ambitious goal of becoming the most trusted and best value pub partnership business in the UK.

Pathway to Partnership included the creation of a BIIBAS accredited Code of Practice which lays out clearly what our Partners should expect from us when taking on a pub and is now at the heart of the way we do business. The programme also led to the development of our new lease, offering a clear choice between rent and discounts on tied beer (including the option of free of tie pricing), incentives for above target performance, no upward rent reviews, and multiple guest ales free of tie.

We have opened up new channels of communication with our Partners through the Punch Buying Club blog and via an independent partner feedback survey which was delivered to more than 500 Partners online. Regional Partner forums have continued throughout the last year and Partner events, where Partners can share best practice, have also been introduced on a regional level.

There has been continued significant government scrutiny of the business and the wider industry in the last year, culminating in the recent Business and Innovation Skills Committee report, recommending statutory regulation of the pub sector. As a company Punch recognised the need for change and made fundamental changes to the way in which we do business in response to the committee's original recommendations. Naturally therefore we are disappointed at the committee's decision to recommend intervention in an industry already overburdened with red tape. Working with the BBPA (British Beer and Pub Association), we will continue to work with the government to demonstrate the progress made by the sector.

Matthew Clark joint venture

Matthew Clark, the 50% joint venture with Accolade, owned by Champ Private Equity, continues to perform satisfactorily in a very competitive market providing a post-tax contribution to Punch of £4 million for the period, together with a special cash dividend payment of £8 million. Matthew Clark has significant scale in its marketplace as the largest independent drinks wholesaler and distributor to the UK leisure and hospitality industry, with gross annual turnover of c.£600 million and c.20,000 customers. It has a strong and experienced management team with clear plans for continued growth from which Punch will benefit.

Financial review

Results for the 52 weeks ended 20 August 2011:

Underlying results	2011 £m	2010 £m
Revenue	521.7	559.0
Operating costs	(268.0)	(271.7)
Share of post-tax profit from joint venture	4.0	3.5
EBITDA	257.7	290.8
Depreciation and amortisation	(16.5)	(18.7)
Net finance costs	(164.9)	(182.3)
Profit before taxation	76.3	89.8
Tax	(21.3)	(26.5)
Net earnings	55.0	63.3
Basic EPS	8.6p	9.9p

The results of the demerged Spirit business for the 49 week period to 31 July 2011 have been separately disclosed within the Financial Statements under non-underlying items. Prior year comparatives have been restated throughout the accounts for this presentation.

The underlying financial results have been impacted by the decline in on-trade drinks volumes and the ongoing strategic disposal programme. Despite the challenging UK consumer environment and pressure on discretionary spending from tax rises and inflationary cost pressures, average net income per pub increased by 0.9% in the year, driven by improving like-for-like trends and benefiting from the disposal of underperforming assets.

Underlying results	2011 £m	2010 £m
Average pub numbers	5,232	5,796
Year end pub numbers	5,004	5,402
Revenue		
Drink	368.1	388.8
Rent	139.3	153.7
Machine income & other	14.3	16.5
Total revenue	521.7	559.0
Gross margin		
Drink	163.1	175.5
Rent	139.4	154.0
Machine income & other	13.5	15.7
Total gross margin	316.0	345.2

Revenue declined by 7 per cent. to £522 million with a 11 per cent. decline in underlying EBITDA. This compares to a reduction in the average estate size of 10 per cent.

Net underlying financing costs decreased by 10 per cent. to £165 million primarily due to the net repayment of £133 million of debt, of which £77 million was ahead of schedule. The weighted average interest rate for the Group's borrowings, including the impact of interest rate swaps, at the balance sheet date is 6.9%. Underlying profit before tax was £76 million, a decrease of 15 per cent. on last year. The tax charge before non-underlying items of £21 million equates to an effective tax rate of 28 per cent.

Non-underlying items

While the underlying post tax profit was £55 million for the year, there were a number of largely non-cash accounting charges that related to the asset write-downs announced at the March 2011 half year, and the demerger of the Spirit business, which resulted in a reported statutory loss of £359 million before discontinued operations.

Asset write-downs of £377 million were incurred following the decision to increase the size of the turnaround estate at March 2011 and to seek to exit these properties over the next five years. These pubs were written down at the half year date to the higher of their value-in-use and the fair value less costs to sell.

In the year, the Group has continued to look at opportunities to buy back portions of debt at below par prices, and this activity has resulted in a net credit of £38 million. In addition, there was a financing charge of £7 million, which arose from the movement in the fair value of interest rate swaps which do not qualify for hedge accounting.

The demerged Spirit leased business is shown within non-underlying items and has resulted in a loss of £32 million for the 49 weeks, which includes the impairment booked in this estate at the half year. The managed business is shown under discontinued operations and this led to a charge on demerger in the Punch accounts of £508 million. The only cash cost to effect the demerger was in line with previous guidance given at £30 million.

Other items include a £3 million charge on staff reorganisation and a £2 million charge on the change in value of Spirit shares held. The tax effect of all of these items, together with the resolution of prior year tax matters, gave rise to a tax charge of £2 million.

Earnings per share

Adjusted basic earnings per share have decreased by 13 per cent. to 8.6p. The basic loss per share of 134.8p has been impacted by the loss on demerger of the Spirit business and the other non-underlying items detailed above.

Dividends

The Board is not proposing to recommend a final dividend for the year, and does not anticipate a resumption to dividend payments in the near-term. In the current climate it remains prudent to retain its cash reserves and to further strengthen the balance sheet.

Capital expenditure and cash flow

The Group, excluding the demerged Spirit business, has been cash neutral across the year. Strong cash generation of £202 million at the operational level has enabled the Group to continue to invest in the Punch estate with £42 million of capital investment. Cash flow has been further enhanced by £108 million of cash generated from Punch disposals, which has enabled the Group to repay £133 million of gross debt at a cost of £97 million, before swap break costs.

Pub estate valuation

During the current year the Board instructed GVA Humberts Leisure to undertake a full valuation of the pub estate as at 20 August 2011. The valuation of the pub estate as at this date is £2,832 million compared to the accounting book value of our estate of £2,674 million.

Capital structure

Following the demerger, the Group continues to be financed through two whole business securitisations, the Punch A Securitisation and the Punch B Securitisation, as well as certain cash resources held outside of these securitisations. The majority of the trading assets of the business are held in the two securitisation structures. In addition to the cash resources held outside the securitisations, Punch also holds a 50 per cent interest in the Matthew Clark joint venture.

Whilst the securitisations generated underlying profits and positive net cash flow (before debt repayments and disposals) in the year, they required support through the use of cash resources held outside of the securitisations to maintain headroom in the DSCR (Debt Service Cover Ratio) covenant. Without this support, both the Punch A and Punch B Securitisations would have fallen below their respective DSCR financial covenant levels in the year. Net support from cash resources held outside of the securitisations amounted to £8 million for the year, being £68 million of gross support less £60 million of cash up-stream from the securitisation structures in relation to the 2011 financial year.

The Group has maintained significant cash resources outside of the securitisations (which amounted to £113 million as at 7 October 2011), enabling the Group to continue to provide DSCR support. While there are no near-term restrictions on our ability to continue to execute our operational turnaround plans, there are a number of constraints within the securitisation documentation and we are reviewing options with a view to optimising the capital structure and executing our plan to downsize the estate effectively. Accordingly, at the relevant time, we anticipate engaging in a dialogue with stakeholders.

Current trading and outlook

Trading in the first eight weeks of the new financial year has been in line with management expectations. While the UK consumer environment is likely to remain challenging in the near-term, we have a clear operational plan to return the core estate to growth in the medium-term and extract maximum value from our non-core assets.

Roger Whiteside
Chief Executive Officer

CONSOLIDATED INCOME STATEMENT

for the 52 weeks ended 20 August 2011

	52 weeks to 20 August 2011			Restated ¹ 52 weeks to 21 August 2010			
	Notes	Underlying items £m	Non-underlying items (note 3) £m	Total £m	Underlying items £m	Non-underlying items (note 3) £m	Total £m
Continuing operations							
Revenue	2	521.7	85.5	607.2	559.0	94.1	653.1
Operating costs before depreciation and amortisation		(268.0)	(78.8)	(346.8)	(271.7)	(60.7)	(332.4)
Share of post-tax profit from joint venture		4.0	-	4.0	3.5	-	3.5
EBITDA²		257.7	6.7	264.4	290.8	33.4	324.2
Depreciation and amortisation		(16.5)	(1.6)	(18.1)	(18.7)	(1.9)	(20.6)
Impairment	5	-	(367.0)	(367.0)	-	(209.1)	(209.1)
Goodwill charge		-	(82.7)	(82.7)	-	(5.8)	(5.8)
Profit / (loss) on sale of non-current assets		-	3.1	3.1	-	(10.3)	(10.3)
Operating profit / (loss)		241.2	(441.5)	(200.3)	272.1	(193.7)	78.4
Finance income		5.6	38.7	44.3	5.2	-	5.2
Finance costs		(170.5)	(1.7)	(172.2)	(187.5)	(4.9)	(192.4)
Movement in fair value of interest rate swaps		-	(7.2)	(7.2)	-	(21.2)	(21.2)
Profit / (loss) before taxation		76.3	(411.7)	(335.4)	89.8	(219.8)	(130.0)
UK income tax (charge) / credit	6	(21.3)	(2.1)	(23.4)	(26.5)	4.3	(22.2)
Profit / (loss) for the financial period from continuing operations		55.0	(413.8)	(358.8)	63.3	(215.5)	(152.2)
Discontinued operations							
Loss on discontinued operations	4	-	(507.9)	(507.9)	-	(7.7)	(7.7)
Profit / (loss) for the financial period attributable to owners of the parent company		55.0	(921.7)	(866.7)	63.3	(223.2)	(159.9)
Earnings / (loss) per share							
	7						
- basic (pence)		8.6		(134.8)	9.9		(24.9)
- diluted (pence)		8.6		(134.8)	9.8		(24.9)

¹ The results for the 52 weeks to 21 August 2010 have been restated to reflect the presentation of the Spirit managed business as discontinued and the Spirit leased business as non-underlying in the period.

² EBITDA represents earnings before depreciation and amortisation, impairment, goodwill charge, profit / (loss) on sale of non-current assets, finance income, finance costs, movement in fair value of interest rate swaps and tax of the Group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 52 weeks ended 20 August 2011

	52 weeks to 20 August 2011 £m	52 weeks to 21 August 2010 £m
Loss for the period attributable to owners of the parent company	(866.7)	(159.9)
Actuarial (losses) / gains on defined benefit pension schemes	(3.8)	31.9
Losses on cash flow hedges	(64.4)	(133.4)
Transfers to the income statement on cash flow hedges ¹	39.1	49.3
Tax relating to components of other comprehensive income	8.1	14.8
Other comprehensive loss for the period	(21.0)	(37.4)
Total comprehensive loss for the period attributable to owners of the parent company	(887.7)	(197.3)

¹ Included within finance costs in the income statement.

CONSOLIDATED BALANCE SHEET

at 20 August 2011

	20 August 2011 £m	21 August 2010 £m
Assets		
Non-current assets		
Property, plant and equipment	2,541.7	4,691.8
Operating leases	6.4	86.3
Other intangible assets	2.3	5.3
Goodwill	181.1	495.1
Investments in joint venture	43.1	47.0
Other investments	7.4	-
	2,782.0	5,325.5
Current assets		
Inventories	-	7.8
Trade and other receivables	46.7	63.5
Current income tax assets	4.4	11.7
Non-current assets classified as held for sale	125.8	125.1
Cash and cash equivalents	196.5	316.5
	373.4	524.6
Total assets	3,155.4	5,850.1
Liabilities		
Current liabilities		
Trade and other payables	(145.9)	(268.9)
Short term borrowings	(61.3)	(63.5)
Derivative financial instruments	(38.0)	(57.9)
Provisions	(1.8)	(23.5)
	(247.0)	(413.8)
Non-current liabilities		
Borrowings	(2,448.7)	(3,511.7)
Derivative financial instruments	(233.6)	(349.2)
Deferred tax liabilities	(3.1)	(10.7)
Retirement benefit obligations	(7.9)	(23.0)
Provisions	(13.0)	(66.0)
Other liabilities	-	(1.1)
	(2,706.3)	(3,961.7)
Total liabilities	(2,953.3)	(4,375.5)
Net assets	202.1	1,474.6
Equity		
Called up share capital	0.3	0.3
Share premium	455.0	455.0
Hedge reserve	(179.7)	(162.6)
Share based payment reserve	12.1	8.5
Retained earnings	(85.6)	1,173.4
Total equity attributable to owners of the parent company	202.1	1,474.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 52 weeks ended 20 August 2011

	Share capital £m	Share premium £m	Equity component of convertible bonds £m	Hedge reserve £m	Share based payment reserve £m	Retained earnings £m	Total equity £m
Total equity at 22 August 2009	0.3	455.0	21.0	(105.2)	8.8	1,288.8	1,668.7
Loss for the period	-	-	-	-	-	(159.9)	(159.9)
Other comprehensive (losses) / gains for the period	-	-	-	(57.4)	-	20.0	(37.4)
Total comprehensive loss for the period attributable to owners of the parent company	-	-	-	(57.4)	-	(139.9)	(197.3)
Transfer equity component of convertible bonds	-	-	(21.0)	-	-	21.0	-
Share based payments	-	-	-	-	(0.3)	3.5	3.2
Total equity at 21 August 2010	0.3	455.0	-	(162.6)	8.5	1,173.4	1,474.6
Loss for the period	-	-	-	-	-	(866.7)	(866.7)
Other comprehensive losses for the period	-	-	-	(17.1)	-	(3.9)	(21.0)
Total comprehensive loss for the period attributable to owners of the parent company	-	-	-	(17.1)	-	(870.6)	(887.7)
Shares purchased and held in Trust	-	-	-	-	-	(1.7)	(1.7)
Share based payments	-	-	-	-	3.6	1.4	5.0
Demerger of the Spirit business (note 4)	-	-	-	-	-	(388.1)	(388.1)
Total equity at 20 August 2011	0.3	455.0	-	(179.7)	12.1	(85.6)	202.1

CONSOLIDATED CASH FLOW STATEMENT

for the 52 weeks ended 20 August 2011

	52 weeks to 20 August 2011 £m	Restated ¹ 52 weeks to 21 August 2010 £m
Cash flows from operating activities		
Operating (loss) / profit	(200.3)	78.4
Depreciation and amortisation	18.1	20.6
Impairment	367.0	209.1
Goodwill charge	82.7	5.8
(Profit) / loss on sale of non-current assets	(3.1)	10.3
Share based payment expense recognised in profit	3.0	3.2
(Increase) / decrease in trade and other receivables	(9.7)	29.8
Decrease in trade and other payables	(49.5)	(15.1)
Difference between pension contributions paid and amounts recognised in the income statement	(1.8)	(1.0)
Decrease in provisions and other liabilities	(0.2)	(3.2)
Share of post-tax profit from joint venture	(4.0)	(3.5)
Cash generated from continuing operations	202.2	334.4
Cash generated from discontinued operations	113.6	35.9
Dividend received from joint venture	8.0	-
Income tax received	8.7	-
Net cash from operating activities	332.5	370.3
Cash flows from investing activities		
Purchase of property, plant and equipment	(47.5)	(41.7)
Proceeds from sale of property, plant and equipment	61.7	136.4
Proceeds from sale of operating leases	0.1	0.8
Proceeds from sale of other non-current assets held for sale	56.7	99.5
Purchase of other intangible assets	(0.2)	(0.1)
Interest received	3.4	3.7
Cash generated from continuing operations	74.2	198.6
Cash generated from discontinued operations	(41.8)	1.2
Net cash generated from investing activities	32.4	199.8
Cash flows from financing activities		
Repayment of convertible bonds	-	(202.7)
Repayment of borrowings	(99.8)	(423.3)
Repayment of derivative financial instruments	(17.8)	(33.3)
Interest paid	(171.9)	(192.9)
Repayments of obligations under finance leases	(2.0)	(2.4)
Interest element of finance lease rental payments	(0.4)	(0.5)
Costs of terminating financing arrangements	(1.2)	(4.5)
Cash used in continuing operations	(293.1)	(859.6)
Cash used in discontinued operations	(77.0)	(72.6)
Net cash used in financing activities	(370.1)	(932.2)
Net (decrease) / increase in cash and cash equivalents:		
- from continuing operations	-	(326.6)
- from discontinued operations	(5.2)	(35.5)
- less: cash held by the Spirit business at demerger	(114.8)	-
Net (decrease) / increase in cash and cash equivalents	(120.0)	(362.1)
Cash and cash equivalents at beginning of period	316.5	678.6
Cash and cash equivalents at end of period	196.5	316.5

1. BASIS OF PREPARATION

The audited consolidated financial statements of Punch Taverns plc for the 52 weeks ended 20 August 2011 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. These preliminary financial statements have been prepared on a consistent basis using the accounting policies set out in the Punch Taverns plc Annual Report and Financial Statements for the 52 weeks ended 21 August 2010. The following new standards, interpretations and amendments are effective for the Group for the financial year beginning 22 August 2010:

- Amendment to IFRS 2: Group cash-settled share-based payment transactions
- IFRIC 19 'Extinguishing financial liabilities with equity instruments'

These have had no material impact on the results or the financial position of the Group for the 52 weeks ended 20 August 2011.

On 1 August 2011, the Spirit business was demerged from the Group. The demerger was effected by the following steps:

- A new holding company, Spirit Pub Company (Holdco) Limited was incorporated, into which the Spirit business was transferred.
- £61m of cash was transferred from Punch Taverns plc to Spirit Pub Company (Holdco) Limited.
- The entire share capital of Spirit Pub Company (Holdco) Limited was transferred to Spirit Pub Company plc, a non-group company. In return, Spirit Pub Company plc issued one ordinary share in itself to each Punch Taverns plc shareholder for each one ordinary share of Punch Taverns plc held on 1 August 2011.

These transactions resulted in the demerger of the Spirit business from the Group.

Since the managed pub business represented a separate major line of business for the Group, the results of that segment are shown as discontinued in these financial statements. However the 550 leased pubs that were demerged do not represent a separate major line of business under the definitions within IFRS 5, so the results of these pubs have not been shown as discontinued, but instead are shown as non-underlying in these financial statements. Certain figures from those shown in the Annual Report and Financial Statements 2010 have been restated to show the results and cash flows of the demerged Spirit managed business as discontinued operations, as required by IFRS 5.

The preliminary statement of results was approved by the Board on 19 October 2011. The preliminary statement is derived from but does not represent the full Group statutory financial statements of Punch Taverns plc and its subsidiaries which will be delivered to the Registrar of Companies in due course. The financial information for the 52 weeks ended 21 August 2010 has been extracted from the Annual Report and Financial Statements 2010, as filed with the Registrar of Companies. The audit reports for both periods presented were (i) unqualified, (ii) did not include reference to any matters to which the auditor drew attention by way of emphasis without qualifying their reports and (iii) did not contain certain statements under section 498(2) and (3) of the Companies Act 2006.

2. SEGMENTAL ANALYSIS

In the prior period, the Group had two reportable segments, a leased estate and a managed estate. Since the announcement of the Strategic review and demerger of the Spirit business, the Group has reassessed its segments, based on how the Group's operations are reviewed and managed. The demerger of the Spirit business disposes of the former managed segment and an element of the leased segment. The Punch business has been restructured into a core estate and a turnaround estate, each having its own clear strategy. Each of these strategic business units consists of a number of cash generating units (CGUs), which are individual pubs. These CGUs generate their own revenues, which are consolidated to give the Group revenue and as a result, Group revenue is not reliant on one significant customer. The results for the 52 weeks to 21 August 2010 have been restated to reflect these revised segments.

The Chief Operating Decision Maker, represented by the Board, reviews the performance of the core and turnaround divisions separately, at an EBITDA level, as included in the internal management reports.

The Group operates solely in the United Kingdom.

	52 weeks to 20 August 2011			
	Core £m	Turnaround £m	Unallocated £m	Total £m
Drink revenue	270.5	97.6	-	368.1
Rental income	102.1	37.2	-	139.3
Other revenue	8.9	5.4	-	14.3
Underlying revenue	381.5	140.2	-	521.7
Underlying operating costs ¹	(163.9)	(72.1)	(32.0)	(268.0)
Share of post-tax profit from joint venture	-	-	4.0	4.0
EBITDA before non-underlying items	217.6	68.1	(28.0)	257.7
Underlying depreciation and amortisation				(16.5)
Operating non-underlying items				(441.5)
Net finance costs				(127.9)
Movement in fair value of interest rate swaps				(7.2)
UK income tax charge				(23.4)
Loss for the financial period from continuing operations				(358.8)

¹ Unallocated underlying operating costs represent corporate overheads that are not allocated down to the divisional performance.

	Restated 52 weeks to 21 August 2010			
	Core £m	Turnaround £m	Unallocated £m	Total £m
Drink revenue	269.3	119.5	-	388.8
Rental income	104.2	49.5	-	153.7
Other revenue	9.6	6.9	-	16.5
Revenue	383.1	175.9	-	559.0
Underlying operating costs ¹	(156.4)	(89.3)	(26.0)	(271.7)
Share of post-tax profit from joint venture	-	-	3.5	3.5
EBITDA before non-underlying items	226.7	86.6	(22.5)	290.8
Underlying depreciation and amortisation				(18.7)
Operating non-underlying items				(193.7)
Net finance costs				(187.2)
Movement in fair value of interest rate swaps				(21.2)
UK income tax charge				(22.2)
Loss for the financial period from continuing operations				(152.2)

¹ Unallocated underlying operating costs represent corporate overheads that are not allocated down to the divisional performance.

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. In addition, the results of the leased pubs that form part of the Spirit business that has been demerged in the period are shown as non-underlying. The comparative period has also been restated to show the results of these pubs as non-underlying. Included in the income statement are the following non-underlying items:

	52 weeks to 20 August 2011 £m	Restated 52 weeks to 21 August 2010 £m
Results of the Spirit leased estate		
Revenue	85.5	94.1
Operating costs before depreciation and amortisation	(46.1)	(53.5)
Depreciation and amortisation	(1.6)	(1.9)
Impairment losses	(60.4)	(14.7)
Goodwill charge	(10.3)	(1.4)
Profit on sale of non-current assets	0.6	0.5
Operating (loss) / profit for the Spirit leased estate	(32.3)	23.1
Other operating non-underlying items		
Business separation costs	(30.0)	-
Restructuring, redundancy and other related one-off costs	(2.8)	(1.4)
Movement on property liabilities ¹	0.1	(5.8)
Impairment losses	(306.6)	(194.4)
Goodwill charge ²	(72.4)	(4.4)
Profit / (loss) on sale of non-current assets	2.5	(10.8)
	(441.5)	(193.7)
Finance income		
Loan note redemptions ³	37.6	-
Movement in fair value of provision for share scheme settlement ⁴	1.1	-
	38.7	-
Finance costs		
Loan note redemptions	-	(4.9)
Movement in fair value of Spirit shares held ⁵	(1.7)	-
	(1.7)	(4.9)
Movement in fair value of interest rate swaps⁶		
	(7.2)	(21.2)
Total non-underlying items before tax		
	(411.7)	(219.8)
Tax		
Tax impact of non-underlying items	(3.4)	0.2
Adjustments to tax in respect of prior periods ⁷	1.3	4.1
	(2.1)	4.3
Total non-underlying items after tax		
	(413.8)	(215.5)

¹ Represents provision for rent payments following the reversion of onerous leases to the Group and additional provision for onerous leases.

² Represents £72.4m write down of goodwill relating to the apportioned value of goodwill allocated to those pubs transferred to the turnaround division in the period and subsequently impaired. In the prior year, the goodwill charge relates to amounts allocated to pubs disposed of during the year.

³ Represents profit on the purchase of securitised debt and convertible bonds below par value together with the write off of related deferred issue costs.

⁴ Represents movement in fair value of shares held to settle future share schemes.

⁵ Represents movement in fair value of shares held as an investment.

⁶ Represents the movement in the fair value of interest rate swaps which do not qualify for hedge accounting. Whilst the interest rate swaps are considered to be effective in matching the amortising profile of existing or planned floating rate borrowings, they do not meet the definition of an effective hedge due to the relative size of the mark to market difference of the swap at the date of acquisition or inception, or changes in expected future maturity profiles.

⁷ Represents the impact of finalising past tax matters.

4. DISCONTINUED OPERATIONS

At a General Meeting on 26 July 2011, the Company's shareholders approved the demerger of the Spirit business. On 1 August 2011, the Spirit business was transferred to a non-group company, Spirit Pub Company plc in return for that company issuing its own ordinary shares on a one-for-one basis to the Company's shareholders. In addition to the Spirit business being transferred, the Company also transferred a net £61m of cash to Spirit.

There is no impact on the prior year financial statements as a result of this demerger other than a change in the presentation of the results and cash flows of the Spirit managed business to discontinued operations and a reclassification of the results of the Spirit leased business to non-underlying. There is no impact on the prior year balance sheet.

The disclosures below relate only to the demerged Spirit managed business segment. The disclosures do not include the Spirit leased business segment as this segment cannot be classified as discontinued within the definitions of IFRS 5.

The loss from discontinued operations shown in the income statement is made up as follows:

	£m
Profit in the financial period up to demerger of the discontinued business	61.6
Dividend in specie	388.1
Share based payments	2.0
Net assets of Spirit business demerged ¹	(959.6)
	(507.9)

¹ The net assets of the Spirit business demerged includes both the managed and leased businesses.

The value of the dividend in specie represents the fair value of the Spirit business. This has been derived based on the fair value of a subordinated loan advanced by the Group to the Spirit business, the value of Spirit debenture bonds that were funded by Punch Taverns plc and an amount of cash that was transferred to the Spirit business on demerger.

Prior to demerger, the Company allotted shares to cover future outstanding awards under the Long Term Incentive Plan, which are being held in a Trust controlled by the Group. At demerger, a financial asset has been recognised by the Group for the total number of Spirit shares that are being held by the Group, and a provision has been recognised for the number of Punch and Spirit shares that have been allotted in order to satisfy awards that are outstanding to employees now employed by the Spirit group. The £2.0m profit on the recognition of these has been shown above.

5. IMPAIRMENT LOSSES

During the current period, the Group commissioned independent market research on the UK eating and drinking out market and its position in it. This review was undertaken as part of a comprehensive review of the Group's strategy, operating performance and capital structure, the outcome of which was announced on 22 March 2011.

This review reinforced the Group's view that the long term decline in drinking out in pubs will continue, driven by changing consumer behaviour, relative price positioning and the impact of regulation. Conversely, the long term growth in eating out in pubs will continue, driven by economic growth, changing consumer behaviour and improvements in the quality, service and value for money offering in the pub industry.

The outcome of this review has led the Group to conclude that, given the structural challenges faced by the leased estate, a more aggressive reduction in the estate size is required. This will enable the Group to move more quickly to a position from which we can deliver sustainable growth in profits and cash flow. This analysis led to the conclusion that our turnaround estate,

comprising those properties that can generate more value through disposal than retention, was around 2,400 pubs at the time of the review. It is expected that these pubs will be disposed of over a five year period.

The values of these non-core pubs have been reviewed, with the carrying value of these individual pubs being written down to the higher of their fair value less costs to sell (FVLCS) and their value-in-use (VIU). As a result, a £306.6m impairment charge has been charged in the period. In addition, a £60.4m impairment charge has been incurred on the Spirit leased estate in the period.

Included within the above are reversals of impairment losses of property, plant and equipment of £27.4m. The impairment reversals were primarily due to the identification of pubs where expected future cash flows have risen to a level such that their value-in-use is now above carrying value.

6. TAXATION

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

	52 weeks to 20 August 2011 £m	Restated 52 weeks to 21 August 2010 £m
Loss on ordinary activities before tax on continuing operations	(335.4)	(130.0)
Tax at current UK tax rate of 27.22% (August 2010: 28%)	(91.3)	(36.4)
Effects of:		
Net effect of expenses not deductible for tax purposes and non-taxable income (underlying items)	0.5	1.5
Adjustments to tax in respect of prior periods (non-underlying items)	(1.3)	(4.1)
Current period non-underlying debits / (credits)	115.5	61.2
Total tax charge reported in the income statement on continuing operations	23.4	22.2

Details of the non-underlying tax credits and debits are included in note 3.

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held in the employee share trust, which are treated as cancelled.

Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

Reconciliations of the earnings and weighted average number of shares are set out below:

	52 weeks to 20 August 2011		52 weeks to 21 August 2010	
	Earnings £m	Per share amount pence	Earnings £m	Per share amount Pence
Results attributable to ordinary shareholders:				
Basic loss per share	(866.7)	(134.8)	(159.9)	(24.9)
Diluted loss per share	(866.7)	(134.8)	(159.9)	(24.8)
Supplementary earnings per share figures:				
Basic earnings per share before non-underlying items	55.0	8.6	63.3	9.9
Diluted earnings per share before non-underlying items	55.0	8.6	63.3	9.8
Basic earnings per share on discontinued operations	(507.9)	(79.0)	(7.7)	(1.2)
Diluted earnings per share on discontinued operations	(507.9)	(79.0)	(7.7)	(1.2)

The impact of dilutive ordinary shares is to increase weighted average shares by 28,000 (August 2010: 1,056,000) for employee share options.

	52 weeks to 20 August 2011 No. (m)	52 weeks to 21 August 2010 No. (m)
Basic weighted average number of shares	642.8	642.5
Share Bonus Plan	-	0.1
Long Term Incentive Plan	-	1.0
Diluted weighted average number of shares	642.8	643.6

The number of shares outstanding at the 20 August 2011 is 659.7m following the issue of 16.9m shares in the year to satisfy outstanding share awards.

8. NET DEBT

(a) Analysis of net debt

	20 August 2011 £m	21 August 2010 £m
Secured loan notes	(2,460.1)	(3,459.8)
Gross debt	(2,460.1)	(3,459.8)
Cash and cash equivalents	196.5	316.5
Nominal value of net debt	(2,263.6)	(3,143.3)
Capitalised debt issue costs	8.8	11.4
Fair value adjustments on acquisition of secured loan notes	(54.0)	(109.8)
Fair value of interest rate swaps	(271.6)	(407.1)
Finance lease obligations	(4.7)	(17.0)
Net debt	(2,585.1)	(3,665.8)
Balance sheet:		
Borrowings	(2,510.0)	(3,575.2)
Derivative financial instruments	(271.6)	(407.1)
Cash and cash equivalents	196.5	316.5
Net debt	(2,585.1)	(3,665.8)

(b) Analysis of changes in net debt

	At 22 August 2009 £m	Cash flow £m	Non-cash movements £m	At 21 August 2010 £m	Cash flow £m	Non-cash movements £m	Demerger of Spirit £m	At 20 August 2011 £m
Current assets								
Cash at bank and in hand	678.6	(362.1)	-	316.5	(5.2)	-	(114.8)	196.5
Debt								
Borrowings	(4,072.9)	430.7	67.0	(3,575.2)	118.0	51.6	895.6	(2,510.0)
Derivative financial instruments	(296.0)	33.3	(144.4)	(407.1)	17.8	(5.8)	123.5	(271.6)
Debt component of convertible bonds	(193.5)	202.7	(9.2)	-	-	-	-	-
	(4,562.4)	666.7	(86.6)	(3,982.3)	135.8	45.8	1,019.1	(2,781.1)
Net debt per balance sheet	(3,883.8)	304.6	(86.6)	(3,665.8)	130.6	45.8	904.3	(2,585.1)

Net debt incorporates the Group's borrowings, derivative financial instruments and obligations under finance leases, less cash and cash equivalents.

Non-cash movements relate to amortisation of deferred issue costs and premium on loan notes and convertible bonds, the equity component of convertible bonds and fair value movement in derivative financial instruments.