PUNCH TAVERNS PLC

("Punch" or "the Group")

Preliminary Results for the 52 weeks to 21 August 2010

Financial Performance *

- EBITDA* of £422 million (2009: £514 million)
- Profit before tax of £131 million (2009: £160 million)
- Disposal proceeds of £299 million comprised largely of non-core assets - achieved at an average multiple of 16x EBITDA
- Basic earnings per share of 14.4p

Statutory Results (after exceptional items) **

- Loss after exceptional items of £160 million following a net exceptional charge of £253 million. All of the exceptional charges were non-cash except for £2 million of reorganisation charges
- Exceptional items include a £218 million charge for pub impairments to appropriately value the non-core estate
- Basic loss per share after exceptional items of 24.9p
- Net Asset Value per share of 229p

Capital Structure

- Net debt reduced by £322 million (9%) to £3,143 million
- Outstanding securitised debt has a 17 year average maturity and weighted average cost of 6.8%
- Debt repayments and management actions to date have helped maintain headroom against financial covenants

Current Trading

- Improved trading momentum delivered in the final quarter of the financial year has continued into the early weeks of the new financial year

Ian Dyson, Chief Executive Officer of Punch Taverns plc, commented

"I am delighted to have joined Punch and to have the opportunity to build on the progress made over the last year. While we have been encouraged by more recent trends in both the leased and managed businesses, the economic environment is very difficult and there remains room for improvement across all aspects of our business. I have started a comprehensive review of our strategy, operating performance and capital structure with a view to exploring options to create value for our shareholders"

12 October 2010

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* before exceptional items
** full analysis of exceptional items are shown in note 3 to the Financial Statements

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 Group's website at www.punchtaverns.com

A live video webcast of the presentation will also be available on the investor section on the above website from 9.00 BST.

PRELIMINARY RESULTS FOR THE 52 WEEKS TO 21 AUGUST 2010

Business overview

Punch Taverns plc is the UK's leading pub operator of over 6,700 leased, tenanted and managed pubs.

The Group has scale across the market, being number two by number of leased and tenanted pubs, as well as number two by number of managed pubs.

The UK on-trade has experienced significant beer volume declines in each of the last two years as a result of the cumulative effect of the smoking ban, counter-productive tax and duty increases and the wider recessionary conditions. This volume reduction has been more acute in smaller drink led pubs where profits have reduced substantially and compromised their sustainability. In response to these market conditions we have taken a series of decisions to stabilise the business. We have reduced our debt levels, focussed on a smaller higher quality estate and implemented operational strategies across both sides of the business. Some of these decisions, such as increasing financial support to our lessee partners and limiting beer price increases, have put pressure on our short term profitability but will, we believe, help provide the platform for improved profitability in the longer term.

Leased estate

We have continued to evolve 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.

In this continuing difficult economic environment, we believe that it is important to work closely with our partners, not only to help them develop their business but also to offer financial support where appropriate, through rent concessions and special discount schemes. We have taken proactive steps to increase our support which continues to run at just under £2 million per month, up from an average of £1.6 million per month last year. In addition, we have once again restricted price increases to our partners, this year to an average of only 1% for the majority of beers compared to wholesale market price increases of c.3%. We are beginning to see the benefit of this assistance with the number of pubs returned from our partners being almost half the previous years level and the number of closed and Tenancy at Will properties available for let also down on last year. The estate has been strengthened by the number of pubs on substantive agreements being increased to 86% and we are confident that the leased model continues to offer an attractive proposition to entrepreneurs seeking a low cost method of entering the trade and running their own business.

We have re-launched our recruitment website which now provides an indication of expected earnings from running a particular pub together with a clear choice of rents linked to different levels of discount on tied products. Furthermore, we were the first major pub company to publish our BIIBAS accredited Code of Practice, which exceeds the BBPA Framework Code of Practice and is now live across the business, setting the basis of our relationship with our partners. The next stage of the Pathway to Partnership Programme is the launch of our Punch Buying Club which enables our partners to transact more efficiently with us online. Our new Punch Buying Club Agreement is now in place which offers partners the option of free of tie pricing and freedom to source local ales benefiting from Progressive Beer Duty.

Whilst we remain committed to the future of the British pub, we believe that fundamental change in consumer habits will result in some pubs not surviving. We have identified a core estate of c.4,700 leased pubs which have a long term, sustainable future. The remainder of the estate where we believe long term viability is compromised will ultimately be disposed of, representing c.1,300 pubs at the year end. Within this financial year, we disposed of 893

leased pubs and other assets largely from the non-core estate, raising £254 million at an average multiple of 16 times EBITDA. The proceeds have been used to reduce indebtedness and to invest in our core estate. During the year we invested in over 800 pubs at a cost of £45 million.

Whilst management actions have had a positive impact on stabilising the estate, consistent with our focus on long term sustainability, the polarisation of performance between core and non-core pubs has continued. Within the core estate, like for like EBITDA has declined by 9% driven principally by lower beer volumes and reduced rental settlements. However, the non-core estate has seen like for like EBITDA reduce by 28% driven by returned pubs and much reduced levels of beer volumes sold. As a result, across the total estate the rate of like for like decline in the period is 11% with average EBITDA per pub down 6%, benefiting from estate churn.

Our programme to dispose of non-core assets has further reduced EBITDA in the period by c.£4 million (c.£16 million annualised) resulting in an EBITDA for the period of £331 million.

Managed estate
As with the leased estate, management actions have been focussed on stabilising business performance and on building trading momentum. Consequently, although like for like sales in the 52 week period were 2.0% below last year, improved trading has been delivered in the second half of the year and particularly in the final quarter where like for like sales for the last 12 weeks were up 2.6%. Underpinning these results has been the increased investment in the estate and the continuation of our Operational Excellence programme.

Over the last year, successful pilots of new concept refurbishments have been completed and we have now commenced the rollout of these concepts across the estate. During the year we have completed 52 Chef & Brewer and 27 Fayre & Square new concept refurbishments which are achieving our financial return targets. In addition, refurbishment activity across the rest of the estate means that we have invested in over 220 pubs during the course of the year, which together with replacement capital expenditure across the whole estate cost £58 million. We expect to invest in a similar number of pubs over the next 12 months.

The objective of our Operational Excellence programme has been to simplify ways of working, streamline pub structures and have the right people in place focussing on the right things. Significant improvements in both employee retention and in guest advocacy measures have been achieved. The implementation phase of the programme is now complete with focus shifting to embedding cultural change and financial benefits.

Within this financial year we disposed of 43 managed pubs, raising £45 million at an average multiple of 19 times EBITDA. Our programme to dispose of non-core assets has reduced EBITDA in the year by £1 million (c.£2 million annualised) resulting in EBITDA for the year of £88 million.

Matthew Clark joint venture
Matthew Clark, the 50% joint venture with Constellation Brands Inc, continues to perform satisfactorily in a very competitive market providing a post-tax contribution to the Punch Group of £4 million for the period. 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.

Financial
Profit before tax and exceptional items was £131 million (2009: £160 million). Basic earnings per share before exceptional items were 14.4p (2009: 36.1p) reflecting the increased number of shares following the July 2009 equity raise.

A number of exceptional items were incurred in the period resulting in a net charge of £253 million. The principal items were a £218 million impairment charge on the carrying value of non-core assets, a £68 million charge for the mark-to-market of certain interest rate swaps, £44 million gain on the repurchase of debt, £33 million onerous lease provision, £2 million of reorganisation costs, £6 million loss on asset disposals and £9 million charge on disposed goodwill. The tax effect of these items together with finalising a number of prior year tax matters with HMRC gave rise to an exceptional tax credit of £37 million.

We continue to review the balance sheet values ascribed to non-core assets, both freehold and leasehold. To this end, we have taken a further impairment charge on our non-core leased estate which, as evidenced by their poor trading performance in each of the last two years, do not have a sustainable future. We have also reassessed the provision we hold against those assets which make losses after rental charges. In recent years we have been subject to a number of reversionary leases arising from pre-packed administrations. Our policy is to make a provision against these loss making assets which has been increased by £33 million to £80 million. We will seek to dispose of these sites as expediently as possible and in the meantime seek to optimise their cash generation capability.

The effective pre-exceptional tax charge was 29% (2009: 29%) with no cash tax paid in the period (2009: £8 million repayment).

As previously announced the Board considers it prudent to continue to retain cash and further strengthen the balance sheet. Consequently no dividend will be paid for the period.

Capital structure

We have made good progress in strengthening our balance sheet. Since the start of the financial year we have reduced gross debt by £684 million, being 17%, at a cost of £636 million excluding swap break costs, £647 million of which was bought back ahead of schedule. Net debt at 21 August 2010 stood at £3,143 million.

Following the repayment of our convertible bond, all of our debt is in the form of long term mortgage type finance which has a weighted average life of 17 years secured on over 6,500 of our pubs. The debt fully repays over terms extending to 25 years and is effectively at a fixed rate of interest of 6.8%. We have no bank debt or bullet finance and consequently we have no refinancing requirements in the foreseeable future.

We have three debt finance structures: Punch A, Punch B and Spirit, all of which have a key DSCR (Debt Service Cover Ratio) financial covenant. Headroom against these covenants has been maintained by our actions in prepaying certain tranches of debt and by utilising cash held outside the debt structures to support the profit performance within them. The annualised cost of this support was £43 million in the year and was largely mitigated by cash up-streamed to the Group for tax purposes.

Current trading and outlook

Trading in the first seven weeks of the new financial year has been in line with the improved trading performance seen in the fourth quarter of last year.

However, we still expect the trading outlook in the near term to continue to be uncertain. Tax rises and reduction in public spending will inevitably put further pressure on unemployment levels, reduce disposable incomes and constrain consumer confidence. Against this backdrop, we believe it is sensible to adopt a cautious approach and we have prepared our financial plans accordingly.

CONSOLIDATED INCOME STATEMENT
for the 52 weeks ended 21 August 2010

		52 weeks to 21 August 2010			52 weeks to 22 August 2009		
	Notes	**Before exceptional items £m**	**Exceptional items (note 3) £m**	**Total £m**	Before exceptional items £m	Exceptional items (note 3) £m	Total £m
Revenue	2	**1,283.0**	**-**	**1,283.0**	1,441.0	-	1,441.0
Operating costs before depreciation and amortisation		**(864.7)**	**(34.2)**	**(898.9)**	(928.9)	(37.4)	(966.3)
Share of post-tax profit from joint ventures		**3.5**	**-**	**3.5**	2.3	-	2.3
EBITDA[1]	2	**421.8**	**(34.2)**	**387.6**	514.4	(37.4)	477.0
Depreciation and amortisation		**(51.6)**	**-**	**(51.6)**	(62.3)	-	(62.3)
Impairment		**-**	**(217.6)**	**(217.6)**	-	(663.1)	(663.1)
Goodwill charge[2]		**-**	**(9.0)**	**(9.0)**	-	(52.1)	(52.1)
Loss on sale of non-current assets[2]		**-**	**(5.5)**	**(5.5)**	-	(4.3)	(4.3)
Operating profit / (loss)	2	**370.2**	**(266.3)**	**103.9**	452.1	(756.9)	(304.8)
Finance income		**24.9**	**44.4**	**69.3**	31.8	246.0	277.8
Finance costs		**(264.3)**	**-**	**(264.3)**	(323.5)	-	(323.5)
Movement in fair value of interest rate swaps	3	**-**	**(68.0)**	**(68.0)**	-	(55.2)	(55.2)
Profit / (loss) before taxation		**130.8**	**(289.9)**	**(159.1)**	160.4	(566.1)	(405.7)
UK income tax (charge) / credit	5	**(38.1)**	**37.3**	**(0.8)**	(47.0)	276.3	229.3
Profit / (loss) for the financial period attributable to owners of the parent company		**92.7**	**(252.6)**	**(159.9)**	113.4	(289.8)	(176.4)
Earnings / (loss) per share	6						
Basic (pence)		**14.4**		**(24.9)**	36.1		(56.1)
Diluted (pence)		**14.4**		**(24.8)**	36.1		(56.1)
Dividend per share paid or proposed in respect of the period (pence)	7			**-**			-
Total dividend paid or proposed in respect of the period (£m)	7			**-**			-

[1] EBITDA represents earnings before depreciation and amortisation, impairment, goodwill charge, loss on sale of non-current assets, finance income, finance costs, movement in fair value of interest rate swaps and tax of the Group.
[2] Loss on sale of non-current assets and goodwill charge have been reclassified within operating profit / (loss) to better reflect the nature of the transactions, as explained in note 3.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the 52 weeks ended 21 August 2010

	52 weeks to 21 August 2010 £m	52 weeks to 22 August 2009 £m
Loss for the period attributable to owners of the parent company	**(159.9)**	(176.4)
Actuarial gains / (losses) on defined benefit pension schemes	**31.9**	(72.6)
Losses on cash flow hedges	**(133.4)**	(91.7)
Transfers to the income statement on cash flow hedges	**49.3**	25.3
Tax relating to components of other comprehensive income	**14.8**	38.9
Tax charge related to indexation on revalued properties	**-**	(1.6)
Other comprehensive loss for the period	**(37.4)**	(101.7)
Total comprehensive loss for the period attributable to owners of the parent company	**(197.3)**	(278.1)

CONSOLIDATED BALANCE SHEET
at 21 August 2010

	21 August 2010 £m	22 August 2009 £m
Assets		
Non-current assets		
Property, plant and equipment	**4,691.8**	5,124.3
Operating leases	**86.3**	68.0
Other intangible assets	**5.3**	6.6
Goodwill	**495.1**	504.1
Investments in joint ventures	**47.0**	43.5
Derivative financial instruments	**-**	2.7
	5,325.5	5,749.2
Current assets		
Inventories	**7.8**	7.5
Trade and other receivables	**63.5**	83.8
Current income tax assets	**11.7**	8.2
Non-current assets classified as held for sale	**125.1**	169.6
Cash and cash equivalents	**316.5**	678.6
	524.6	947.7
Total assets	**5,850.1**	6,696.9
Liabilities		
Current liabilities		
Trade and other payables	**(268.9)**	(316.7)
Short term borrowings	**(63.5)**	(50.2)
Derivative financial instruments	**(57.9)**	(67.7)
Provisions	**(23.5)**	(22.3)
	(413.8)	(456.9)
Non-current liabilities		
Borrowings	**(3,511.7)**	(4,022.7)
Convertible bonds	**-**	(193.5)
Derivative financial instruments	**(349.2)**	(231.0)
Deferred tax liabilities[1]	**(10.7)**	(21.2)
Retirement benefit obligations	**(23.0)**	(59.5)
Provisions	**(66.0)**	(41.7)
Other liabilities	**(1.1)**	(1.7)
	(3,961.7)	(4,571.3)
Total liabilities	**(4,375.5)**	(5,028.2)
Net assets	**1,474.6**	1,668.7
Equity		
Called up share capital	**0.3**	0.3
Share premium	**455.0**	455.0
Equity component of convertible bonds	**-**	21.0
Hedge reserve	**(162.6)**	(105.2)
Share based payment reserve	**8.5**	8.8
Retained earnings	**1,173.4**	1,288.8
Total equity attributable to owners of the parent company	**1,474.6**	1,668.7

[1]Deferred tax assets of £144.5m have been reclassified in the prior year and offset against deferred tax liabilities to reflect the legal right of offset.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 52 weeks ended 21 August 2010

	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 23 August 2008	0.1	455.0	30.0	(57.4)	8.7	1,156.5	1,592.9
Loss for the period	-	-	-	-	-	(176.4)	(176.4)
Other comprehensive losses for the period	-	-	-	(47.8)	-	(53.9)	(101.7)
Total comprehensive loss for the period attributable to owners of the parent company	-	-	-	(47.8)	-	(230.3)	(278.1)
Issue of share capital	0.2	-	-	-	-	353.6	353.8
Transfer equity component of convertible bonds	-	-	(9.0)	-	-	9.0	-
Share based payments	-	-	-	-	0.1	-	0.1
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) / profits 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**

CONSOLIDATED CASH FLOW STATEMENT

for the 52 weeks ended 21 August 2010

	52 weeks to 21 August 2010 £m	52 weeks to 22 August 2009 £m
Cash flows from operating activities		
Operating profit / (loss)	**103.9**	(304.8)
Depreciation and amortisation	**51.6**	62.3
Impairment	**217.6**	663.1
Goodwill charge	**9.0**	52.1
Loss on sale of non-current assets	**5.5**	4.3
Share based payment expense recognised in profit	**3.2**	0.1
(Increase) / decrease in inventories	**(0.3)**	1.0
Decrease in trade and other receivables	**23.2**	0.3
Decrease in trade and other payables	**(55.8)**	(27.1)
Difference between pension contributions paid and amounts recognised in the income statement	**(4.4)**	(3.4)
Increase in provisions and other liabilities	**20.3**	13.7
Share of post-tax profit from joint venture	**(3.5)**	(2.3)
Cash generated from operations	**370.3**	459.3
Income tax received	**-**	7.6
Net cash from operating activities	**370.3**	466.9
Cash flows from investing activities		
Purchase of property, plant and equipment	**(103.0)**	(91.1)
Proceeds from sale of property, plant and equipment	**180.2**	397.1
Proceeds from sale of operating leases	**0.8**	1.7
Proceeds from sale of other non-current assets held for sale	**118.2**	15.3
Purchase of other intangible assets	**(0.1)**	(2.0)
Interest received	**3.7**	5.9
Net cash generated from investing activities	**199.8**	326.9
Cash flows from financing activities		
Net proceeds from issue of ordinary share capital	**-**	353.8
Repayment of convertible bonds	**(202.7)**	(65.5)
Repayment of borrowings	**(428.1)**	(412.0)
Repayment of derivative financial instruments	**(33.3)**	(3.7)
Interest paid	**(259.9)**	(314.0)
Repayments of obligations under finance leases	**(2.6)**	(2.3)
Interest element of finance lease rental payments	**(1.1)**	(1.2)
Costs of terminating financing arrangements	**(4.5)**	(5.9)
Decrease in cash deposits used as security for loan notes	**-**	14.4
Net cash used in financing activities	**(932.2)**	(436.4)
Net (decrease) / increase in cash and cash equivalents	**(362.1)**	357.4
Cash and cash equivalents at beginning of period	**678.6**	321.2
Cash and cash equivalents at end of period	**316.5**	678.6

1. BASIS OF PREPARATION

The audited consolidated financial statements of Punch Taverns plc for the 52 weeks ended 21 August 2010 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 22 August 2009. The following new standards, interpretations and amendments are effective for the Group for the financial year beginning 23 August 2009:

- IFRS 8 'Operating Segments'
- IAS 23 'Borrowing Costs'
- IAS 1 (revised) 'Presentation of Financial Statements'
- IFRS 3R 'Business Combinations'
- Amendments to IAS 32 'Financial Instruments: Presentation' and IAS 1 'Presentation of Financial Statements': Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to IFRS 1 'First-time Adoption of IFRS' and IAS 27 'Consolidated and Separate Financial Statements'
- Amendment to IAS 39 'Financial Instruments: Disclosure': Eligible Hedged Items
- Amendment to IFRS 7 'Financial Instruments: Disclosure': Improved Disclosures about Financial Instruments
- Amendment to IFRS 2 'Share Based Payments': Vesting Conditions and Cancellations
- Amendments to IFRIC 9 'Reassessment of Embedded Derivatives' and IAS 39: Embedded Derivatives
- IFRIC 17 'Distribution of Non-Cash Assets to Owners'
- IFRIC 18 'Transfers of Assets from Customers'

These have had no material impact on the results or the financial position of the Group for the 52 weeks ended 21 August 2010.

The preliminary statement of results was approved by the Board on 11 October 2010. 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 22 August 2009 has been extracted from the Annual Report and Financial Statements 2009, as filed with the Registrar of Companies. Certain figures have been restated following a change in classification of deferred tax assets, loss on sale of non-current assets and goodwill charge since the prior year end.

The former auditor, Ernst & Young LLP, reported on the 52 week period ended 22 August 2009. The current auditor, KPMG Audit Plc, has reported on the 52 week period ended 21 August 2010. Their reports 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

The Group has two reportable segments, a leased estate (Punch Partnerships) and a managed estate (Punch Pub Company), which are the Group's strategic business units. Each strategic business unit 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 Group's risks and returns are affected predominantly by the differences in the products and services provided by the strategic business units. Between 22 August 2009 and 21 August 2010, 1 pub with a fair value of £1.2m has transferred from the managed to the leased estate.

The Chief Operating Decision Maker is represented by the Executive Directors and Senior Management of the Group. Performance is measured based on segmental EBITDA, as included in

the internal management reports that are reviewed by the Executive Directors and Senior Management.
The Group operates solely in the United Kingdom, and therefore has only one geographical segment.

	52 weeks to 21 August 2010			
	Leased £m	**Managed £m**	**Unallocated £m**	**Total £m**
Drink revenue	**455.7**	**353.7**	**-**	**809.4**
Food revenue	**-**	**243.6**	**-**	**243.6**
Rental income	**178.3**	**-**	**-**	**178.3**
Other revenue	**19.1**	**32.6**	**-**	**51.7**
Revenue	**653.1**	**629.9**	**-**	**1,283.0**
Operating costs[1]	**(322.5)**	**(542.2)**	**-**	**(864.7)**
Share of post-tax profit from joint ventures	**-**	**-**	**3.5**	**3.5**
EBITDA[1]	**330.6**	**87.7**	**3.5**	**421.8**
Depreciation and amortisation	**(20.6)**	**(31.0)**	**-**	**(51.6)**
Operating profit before exceptional items	**310.0**	**56.7**	**3.5**	**370.2**
Operating exceptional items				**(266.3)**
Net finance costs				**(195.0)**
Movement in fair value of interest rate swaps				**(68.0)**
UK income tax charge				**(0.8)**
Loss attributable to owners of the parent company				**(159.9)**

	52 weeks to 22 August 2009			
	Leased £m	Managed £m	Unallocated £m	Total £m
Drink revenue	521.3	379.6	-	900.9
Food revenue	-	257.9	-	257.9
Rental income	223.0	-	-	223.0
Other revenue	25.2	34.0	-	59.2
Revenue	769.5	671.5	-	1,441.0
Operating costs[1]	(357.7)	(571.2)	-	(928.9)
Share of post-tax profit from joint ventures	-	-	2.3	2.3
EBITDA[1]	411.8	100.3	2.3	514.4
Depreciation and amortisation	(21.5)	(40.8)	-	(62.3)
Operating profit before exceptional items	390.3	59.5	2.3	452.1
Operating exceptional items				(756.9)
Net finance costs				(45.7)
Movement in fair value of interest rate swaps				(55.2)
UK income tax credit				229.3
Loss attributable to owners of the parent company				(176.4)

[1] Pre exceptional items.

3. EXCEPTIONAL ITEMS

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

	52 weeks to 21 August 2010 £m	52 weeks to 22 August 2009 £m
Operating		
Redundancy and other related one-off costs	**(1.5)**	(8.5)
Movement on property liabilities[1]	**(32.7)**	(28.9)
Impairment losses (note 4)	**(217.6)**	(663.1)
Goodwill charge[2, 3]	**(9.0)**	(52.1)
Loss on sale of non-current assets[3]	**(5.5)**	(4.3)
	(266.3)	(756.9)
Finance income		
Loan note redemptions[4]	**44.4**	246.0
Movement in fair value of interest rate swaps[5]	**(68.0)**	(55.2)
Total exceptional items before tax	**(289.9)**	(566.1)
Tax		
Tax impact of exceptional items	**29.6**	111.6
Recognition of previously uncrystallised deferred tax assets[6]	**-**	119.8
Tax impact of indexation[7]	**-**	(6.2)
Adjustments to tax in respect of prior periods[8]	**7.7**	27.0
Recognition of deferred tax assets not previously recognised on acquisition[2]	**-**	24.1
	37.3	276.3
Total exceptional items after tax	**(252.6)**	(289.8)

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

[2] Represents £9.0m write down of goodwill (August 2009: £28.0m), of which £5.8m related to the leased estate (August 2009: £17.9m) and £3.2m related to the managed estate (August 2009: £10.1m), relating to the apportioned value of goodwill allocated to those pubs disposed of during the year. In the prior period, also represents tax losses of £24.1m which had previously not been recognised on the acquisition of the Spirit group in January 2006, which were subsequently recognised in the year.

[3] In order to better reflect the nature of disposal transactions, loss on sale of non-current assets and goodwill charge have been reclassified within operating profit / (loss), for which comparatives have been restated.

[4] Represents profit on the purchase of securitised debt and convertible bonds together with the write off of related deferred issue costs.

[5] 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. At 22 August 2009 interest rate swaps held to hedge the Punch Taverns Finance B Limited Class A8 notes were deemed to be ineffective due to the intention to purchase and cancel a portion of these notes ahead of their expected legal maturity. As a result, a charge of £19.3m was recycled through the income statement.

[6] In the prior period, represents the recognition of deferred tax assets that relate to capital losses arising on a group restructuring.

[7] In the prior period, represents tax impact of RPI for the full year on the indexation allowance applied to the tax based cost of properties.

[8] Represents the impact of finalising past tax matters. In the prior period also represented changes to base cost information in relation to property assets.

4. IMPAIRMENT LOSSES

During the 52 weeks to 21 August 2010 the Group recognised impairment losses of £209.1m (August 2008: £483.4) in the leased estate and £8.5m (August 2008: £179.7m) in the managed estate.

Following a review of the entire estate, 1,347 pubs have been identified as non-core, being considered not sustainable as pubs in the long term or to have a higher alternative use value. These pubs are likely to be sold or converted for alternative use within the next five years and have been written down to their fair value, being the higher of their value-in-use and market value.

Included within the above are reversals of impairment losses of property, plant and equipment of £25.2m for the leased estate and £0.8m for the managed estate. 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.

5. TAXATION

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

	52 weeks to 21 August 2010 £m	52 weeks to 22 August 2009 £m
Loss on ordinary activities before tax	**(159.1)**	(405.7)
Tax at current UK tax rate of 28% (August 2009: 28%)	**(44.5)**	(113.6)
Effects of:		
Net effect of expenses not deductible for tax purposes and non-taxable income (ongoing items)	**1.6**	2.0
Losses arising not yet recognised as assets (ongoing items)	**-**	0.1
Deferred tax debit on indexation of properties (exceptional items)	**-**	6.2
Adjustments to tax in respect of prior periods (exceptional items)	**(7.7)**	(32.9)
Current period exceptional debits / (credits) (exceptional items)	**51.4**	(91.1)
Total tax charge / (income) reported in the income statement	**0.8**	(229.3)

Details of the exceptional tax credits and debits are included in note 3.

6. 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 (after adding back interest on dilutive convertible bonds) by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and dilutive convertible bonds).

The equity portion of the convertible bonds has been assessed and its impact is not dilutive on either basic earnings or adjusted earnings at 22 August 2009. The bond was repaid in full during the period.

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

	52 weeks to 21 August 2010		52 weeks to 22 August 2009	
	Earnings £m	**Per share amount pence**	Earnings £m	Per share amount pence
Basic loss per share	**(159.9)**	**(24.9)**	(176.4)	(56.1)
Diluted loss per share	**(159.9)**	**(24.8)**	(176.4)	(56.1)
Supplementary earnings per share figures:				
Basic earnings per share before exceptional items	**92.7**	**14.4**	113.4	36.1
Diluted earnings per share before exceptional items	**92.7**	**14.4**	113.4	36.1

The impact of dilutive ordinary shares is to increase weighted average shares by 1,056,240 (August 2009: nil) for employee share options and nil (August 2009: nil) for convertible bonds.

	52 weeks to 21 August 2010 No. (m)	52 weeks to 22 August 2009 No. (m)
Basic weighted average number of shares	**642.5**	314.3
Share Bonus Plan	**0.1**	-
Long Term Incentive Plan	**1.0**	-
Diluted weighted average number of shares	**643.6**	314.3

7. DIVIDENDS

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

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

8. NET DEBT

(a) Analysis of net debt

	21 August 2010 £m	22 August 2009 £m
Secured loan notes	**(3,459.8)**	(3,941.9)
Convertible bonds[1]	**-**	(201.7)
Gross debt	**(3,459.8)**	(4,143.6)
Cash and cash equivalents	**316.5**	678.6
Nominal value of net debt	**(3,143.3)**	(3,465.0)
Capitalised debt issue costs	**11.4**	18.4
Fair value adjustments on acquisition of secured loan notes	**(109.8)**	(129.6)
Fair value of interest rate swaps	**(407.1)**	(296.0)
Balance sheet adjustments to convertible bonds[2]	**-**	6.8
Finance lease obligations	**(17.0)**	(18.4)
Net debt	**(3,665.8)**	(3,883.8)
Balance sheet:		
Borrowings	**(3,575.2)**	(4,072.9)
Convertible bonds	**-**	(193.5)
Derivative financial instruments	**(407.1)**	(296.0)
Cash and cash equivalents	**316.5**	678.6
Net debt	**(3,665.8)**	(3,883.8)

[1] In the prior period represents nominal value of convertible bonds of £192.1m plus subsequent accretion of liability to redemption value on maturity.
[2] In the prior period represents equity component of convertible bonds less subsequent accretion of liability to redemption value on maturity for this equity component.

(b) Analysis of changes in net debt

	At 23 August 2008 £m	Cash flow £m	Non-cash movements £m	At 22 August 2009 £m	Cash flow £m	Non-cash movements £m	**At 21 August 2010 £m**
Current assets							
Cash at bank and in hand	321.2	357.4	-	678.6	(362.1)	-	**316.5**
Cash deposits	14.4	(14.4)	-	-	-	-	**-**
Cash and cash deposits	335.6	343.0	-	678.6	(362.1)	-	**316.5**
Debt							
Borrowings	(4,730.0)	399.9	257.2	(4,072.9)	430.7	67.0	**(3,575.2)**
Guaranteed loan notes	(14.4)	14.4	-	-	-	-	**-**
Derivative financial instruments	(179.7)	3.7	(120.0)	(296.0)	33.3	(144.4)	**(407.1)**
Debt component of convertible bonds	(264.8)	65.5	5.8	(193.5)	202.7	(9.2)	**-**
	(5,188.9)	483.5	143.0	(4,562.4)	666.7	(86.6)	**(3,982.3)**
Net debt per balance sheet	(4,853.3)	826.5	143.0	(3,883.8)	304.6	(86.6)	**(3,665.8)**

Net debt incorporates the Group's borrowings, bank overdrafts, derivative financial instruments and obligations under finance leases, less cash and cash equivalents and cash deposits. The cash deposits were used as security for loan notes which were repaid in full in the prior period.

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.

9. CONTINGENT LIABILITIES AND ASSETS

In prior years, the Group has disposed of a number of properties for which it remains contingently liable for the head leases should the assignee default on the terms of the lease. This may result in a number of leases reverting to the Group for which the annual net exposure to the Group is considered unlikely to exceed £6m per annum.

At the balance sheet date a contingent asset of £18.8m exists in relation to an outstanding claim made to HMR&C regarding recoverable VAT.

10. POST BALANCE SHEET EVENTS

Subsequent to the year end the Group has repurchased £21.3m of the nominal value of outstanding debt.