

PUNCH TAVERNS PLC

("Punch" or "the Group")

Interim Results for the 28 weeks to 5 March 2011

Highlights

- Improved underlying financial performance
- Strong growth in Managed
- Improving trends in Leased
- On track to meet our full year expectations
- Good progress on demerger plans
- Key Board positions announced

Financial Performance*

- EBITDA of £206 million (2010: £225 million)
- Profit before tax of £61 million (2010: £66 million)
- Basic earnings per share of 7.0 pence (2010: 7.5 pence)
- Strong cash generation with Free Cash Flow¹ of £55 million

Statutory Results (after exceptional items) **

- Loss after exceptional items of £325 million
- Net exceptional charge of £370 million, £367 million of which is a non-cash impairment to turnaround assets
- Basic loss per share after exceptional items of 50.5 pence
- Net asset value per share of 189 pence (125 pence excluding goodwill)

Operational Highlights

- Managed like for like sales up 4.9% in the 28 weeks and 8.6% in Q2
- Managed operating profit up 12%, operating margin up 80 basis points
- Leased average net income per pub up 0.3%; growth for the first time in three years
- Leased like for like net income down 7.0%, improving quarter by quarter

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

"We are pleased that our operational initiatives continue to translate into improved performance within both the Managed and Leased businesses.

Despite the challenging UK consumer environment, we remain confident of making further progress in the second half of the financial year. We have had a good start to the third quarter and are on track to meet our full year expectations.

This strong trading momentum provides a solid platform for the proposed demerger of Spirit, on which we are making good progress. We are pleased to announce that Walker Boyd will join the Board and become the Chairman of Spirit on demerger and we have confirmed the key executive appointments within both businesses."

12 April 2011

* before exceptional items

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

¹ Free Cash Flow represents net cash flow before the repayment of borrowings and associated costs

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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.

There will be an analyst and investor presentation at 0900 (UK time) today.

The interim results presentation and this interim report will be available on the Group's website www.punchtaverns.com.

A live video webcast of the presentation will also be available on the investor section of the Group's website www.punchtaverns.com. We recommend you register at 0845 (UK time).

INTERIM RESULTS FOR THE 28 WEEKS TO 5 MARCH 2011

Strategic Review

On 22 March 2011, we presented the results of the strategic review of the business that began following the appointment of Ian Dyson as Chief Executive Officer in September 2010. The key conclusion of this review was that we should separate the Managed and Leased businesses. This will be achieved by demerging Spirit from Punch, thereby creating two independent public companies. A demerger will enable the right focus to be given to each business to execute the plans required to maximise value for shareholders and other stakeholders. Spirit will be positioned to deliver market leading sales and profit growth and to expand with the aim of becoming the UK's leading managed pub operator. Punch will be positioned to drive long term value by downsizing to a core estate of around 3,000 pubs with the aim of becoming the UK's highest quality and most trusted leased operator.

We are making good progress on the demerger which remains subject to the finalisation of a number of areas, notably certain legal, tax and regulatory matters. We expect to complete the demerger by the end of the summer.

A copy of the 22 March 2011 Strategic Review announcement can be viewed on the Group's website www.punchtaverns.com.

Board Appointments

We have made progress on the composition of the Board of each of the two businesses and, accordingly, are pleased to announce the following:

Spirit

Walker Boyd will join the Board of Punch Taverns plc with immediate effect and will become Chairman of Spirit at demerger. Walker is Chairman of WH Smith and has substantial retail expertise both in the UK and the USA. Full details are provided in a separate Board Appointment announcement issued today, and on the Group's website www.punchtaverns.com.

Ian Dyson, currently Group Chief Executive Officer, will be Chief Executive.

Mike Tye, currently Managing Director - Managed, will be Deputy Chief Executive.

The search for a Finance Director is well underway and we anticipate making a further announcement in due course.

Punch

We are in the process of an external search for a new Chairman of Punch and will make a further announcement in due course. Peter Cawdron, currently Group Chairman, who has indicated his intention to retire this year, will remain in position until a successor is appointed.

Roger Whiteside, currently Managing Director – Leased, will be Chief Executive.

Steve Dando, currently Acting Group Finance Director, will be Finance Director.

Ian Dyson will become a Non-executive Director of Punch for a transitional period.

The Non-executive Directors of both businesses are being finalised and will comprise a balance of existing Punch Taverns plc Board members and external appointments. As previously announced, Ian Wilson stepped down as Non-executive Director of Punch Taverns plc in January 2011.

Business Review

To assist in the understanding of the two separate businesses at the point of demerger, we have provided a pro forma split of the first half results between Spirit and Punch, in addition to the Managed and Leased segmentation shown in note 2 to the Financial Statements.

Spirit

Spirit currently comprises 798 managed pubs together with 554 leased pubs that reside within the Spirit Debenture. Spirit has a high quality, well-located managed estate with attractive exposure to London and the South East and areas with higher population densities. As a result of the actions we have taken over the last couple of years, there has been substantial progress in repositioning the business through the improvement of operational disciplines, the upgrading of talent, the development of high quality brands and continued investment in the estate.

The Spirit leased estate comprises pubs that were mostly previously managed pubs and currently achieve average net income of approximately £100,000 per annum. Our initial assessment is that between 100 and 150 of these pubs can be converted to one of our managed brands and we intend to execute this conversion programme over the next two years. Over time, we expect the remaining pubs that we do not believe can be converted to managed to be disposed, with the proceeds from these disposals being available to reinvest in the business or to reduce net debt.

The unaudited financial results for the business for the first half of 2010/11 are:

Spirit pro forma	Managed		Leased		Spirit	
		% change		% change		% change
Av pub numbers	797	(4)%	558	(5)%	1,355	(4)%
Revenue	£331m	2%	£48m	(5)%	£379m	1%
EBITDA	£45m	12%	£23m	(7)%	£67m	5%
Operating profit	£27m	12%	£22m	(7)%	£49m	3%

The Managed business performed very strongly. The combination of continued focus on operational excellence and investment in the estate has delivered like for like sales growth of 4.9% over the period, with growth of 8.6% in the second quarter. We have been outperforming the competition. This sales growth was largely volume led, reflecting the increasing appeal of our brands and the increasing loyalty of our guests. On a like for like basis, food sales were up 6.3% and drink sales were up 3.9%. The longer term growth prospects for eating out remain positive and Spirit's managed estate is well positioned, with food accounting for 39% of all turnover with approximately two thirds of all turnover estimated to be from food led visits.

Our investment programme continues to deliver strong returns. During the half year, we refurbished 135 pubs, focusing our activities on our most successful formats, Chef & Brewer, Fayre & Square and lately on the acceleration of the Flaming Grill brand. We now plan to refurbish c.220 pubs in the full year, which will mean that over half of the estate will have been refurbished and rebranded by the year end. Whilst this programme has been a key contributor to the growing sales momentum in the business, we have also been encouraged by the 5.2% like for like growth in uninvested pubs in the second quarter which clearly demonstrates the quality of our operational delivery across all areas.

Operating profit in managed was up 12% to £27 million, reflecting the sales growth and strong conversion despite some significant cost pressures. At pub level, like for like EBITDA was up 15% with pub profit margins up 160 basis points. Increased spend on sales and marketing to support the expansion of our brands and other overheads resulted in a net operating margin of 8.2%, 80 basis points ahead of last year.

Sales in the first five weeks of the third quarter have remained strong and support our confidence that further improvements will be delivered in the second half of this financial year and beyond.

The Spirit leased estate performed broadly in line with the trends experienced in the Punch business. Like for like net income for the 554 pubs was down 6.3% in the period.

Punch

Punch currently has 5,241 pubs and a 50% interest in Matthew Clark. Our plan is to focus this business around a high quality sustainable core of c.3,000 pubs over a five year period. To facilitate this repositioning, we have split the business into core and turnaround divisions.

The core division comprising approximately 3,000 pubs accounts for around 75% of Punch outlet EBITDA. Our plan for this division is to drive sustainable growth and to embrace Pathway to Partnership. These pubs have a much higher average net income per pub than the turnaround estate at approximately £80,000, 95% of which are on substantive agreements. The majority of our future capital expenditure programme on Punch will be focused in this division.

The turnaround division comprising approximately 2,300 pubs accounts for around 25% of Punch outlet EBITDA. These pubs have a much lower average net income per pub at approximately £40,000, are more wet led and are therefore likely to be more impacted by the long term decline in drinking out. As a result, these pubs are expected to generate more value through disposal than retention. Our plan is to maximise short term returns with a clear focus on costs and cash flow. We expect to sell these pubs over a five year period at a rate of around 500 pubs per annum, which is consistent with the previous three years. At the same time, we will continue to drive operational performance and accordingly these pubs will continue to be a part of the Pathway to Partnership programme and have access to the same support and infrastructure as the core division.

We sold 160 pubs in the period, all but eight from the turnaround division, for proceeds of £40 million. The disposed pubs generated just £1.1 million of EBITDA over the last 12 months, demonstrating the accretive nature of these disposals. Together with the disposals made in the prior year, this helped us to post the first increase in net income per pub for three years.

The unaudited financial results for the business for the first half of 2010/11 are:

Punch pro forma	Leased	
		% change
Av pub numbers	5,323	(11)%
Revenue	£277m	(8)%
EBITDA	£137m	(14)%
JV income	£2m	21%
Operating profit	£130m	(14)%

The like for like performance for the business for the first half of 2010/11:

Punch pro forma	Core	Turnaround	Punch
Period end pub numbers	2,963 pubs	2,278 pubs	5,241 pubs
Like for like revenue	(2.9)%	(6.8)%	(4.0)%
Like for like net income	(5.3)%	(11.5)%	(7.1)%

After two years of double digit profit declines, total like for like net income was down 7% in the half year and down 6% in the second quarter, reflecting the success of the Pathway to Partnership programme which is helping to reposition the performance and reputation of the business. Our new Punch Buying Club Agreement is now in place and offers Partners the option of free of tie pricing, the freedom to source local ales benefiting from Progressive Beer Duty and clear incentives to both invest in and grow their business. The Buying Club now accounts for 18% of drink sales and we will be broadening the product range being offered to our Partners. Like for like beer and cider volumes in the leased estate were down 4.5% in the 28 weeks, a substantial improvement in the trends experienced over the last two years or so, and rental income trends have also improved.

We continued to provide further support to our Partners through the Ready For Business and Investing For Growth programmes, having invested £17 million across 269 pubs in the leased estate during the first half year. In addition we continue to offer support through rent concessions and other discounts at a rate of around £2 million per month across the leased estate.

The combination of the Pathway to Partnership initiatives, and resultant improved trends in beer volumes and rent, together with the decision to pass on price increases from the major brewers at the end of February, is expected to lead to a further improvement in net income trends in the second half of the year.

Matthew Clark, the 50% joint venture with Champ Private Equity, continues to perform satisfactorily in a very competitive market, providing a post-tax contribution of £2 million for the half year.

Financial Review

Net finance costs:

Net finance costs were down £15 million (11%) at £118 million, reflecting a (9)% decrease in average gross borrowings compared to the prior period. The Group's average cost of funding was 6.8% (last year 6.8%).

Taxation:

The pre exceptional taxation charge is based on an estimated full year effective tax rate of 28.2% before post-tax earnings from joint ventures (last year 28.4%). This compares with the UK corporation taxation rate of 27.6% for the financial year ending August 2011.

Earnings per share:

Adjusted basic earnings per share, which excludes the effect of exceptional items, was down 7% at 7.0 pence per share (last year 7.5 pence). The weighted average number of shares in issue during the period was £642.9 million (last year £642.4 million).

Exceptional items:

A number of exceptional items were incurred in the period resulting in a net charge of £370 million. The principal items were a £367 million impairment charge on the carrying value of non core assets together with an £81 million write off of associated goodwill. Following the decision to increase the size of the turnaround estate and to seek to exit these properties over the next five years, we have taken the decision to write down these pubs to the higher of their value-in-use and the fair value less costs to sell. This has resulted in a revised value per pub of £278,000 in the Punch turnaround estate, which represents a multiple of just over 8 times current outlet EBITDA.

Additional exceptional items include a £17 million charge to the onerous lease provision following further lease reversions, £39 million gain on the mark-to-market of certain interest rate swaps, £14 million gain on the repurchase of debt, £5 million of reorganisation and separation costs and a £5 million gain on asset disposals. The tax effect of these items, together with the resolution of a number of prior year tax matters, gave rise to an exceptional tax credit of £43 million.

Capital expenditure:

Capital expenditure was £63 million (last year £38 million). The focus of our capex plans in the managed estate is investing in our new concepts. Total capex spend in the managed estate amounted to £35 million (last year £23 million). Capex spend in the leased estate has been focused on ensuring our pubs are ready for business and available for let, total capex spend in the leased estate amounted to £25 million (last year £15 million) with a further £3 million invested on infrastructure. We now expect capital expenditure for the full year to be around £120 million, reflecting an acceleration of the managed pub refurbishment programme.

Disposals:

During the period, we have disposed of 190 pubs, comprising 170 pubs in our Leased business, and 20 pubs in Managed together with other assets for net proceeds of £62 million at a profit over book value of £5 million. The disposed pubs generated just £1.3 million of EBITDA over the last 12 months, demonstrating the accretive nature of these disposals. We now expect disposal proceeds of around £120 million for the full year.

Cash flow:

Cash flow from operating activities amounted to £174 million (last year £143 million). Operating cash flows benefited from an £18 million VAT recovery relating to prior year's AWP machine income for Spirit's managed estate. This repayment has been fully provided for in the accounts, awaiting the outcome of an appeal by HMRC which is expected to be heard towards the end of this calendar year. We have recovered £9 million of overpaid corporation tax from prior years and do not expect to pay any further corporation tax this financial year as we continue to benefit from utilising brought forward losses.

Free Cash Flow (net cash flow before debt repayments and associated costs) amounted to £55 million, which represents a reduction on last year's £169 million due to lower disposal proceeds in the current year.

Net debt and financial covenants:

At the half year end, the nominal value of debt amounted to £3,079 million (August 2010: £3,277 million), which included £260 million of assets (£177 million of cash, £62 million of bonds at par value and £21 million of assets held for sale) held outside the securitisation structures.

All of our debt is in the form of long term mortgage type finance, secured on our sizeable property portfolio. The debt fully repays over terms extending to 24 years and is all effectively at fixed rates of interest.

As with all debt finance of this type, there are covenant and performance tests. We have three debt finance vehicles; Punch A, Punch B and Spirit, all of which have a key DSCR (Debt Service Cover Ratio) test. In relation to Punch A and Punch B, headroom in this key financial covenant has been maintained by our actions in repaying certain tranches of debt and by utilising cash held outside the debt structures to improve the operating margin performance within the debt structures. In the half year EBITDA support payments amounted to £20 million in Punch A and £22 million in Punch B. The majority of this support is available to be up-streamed back to the plc level later this year.

Pensions:

Following the completion of the triennial valuations in each of the Spirit and Pubmaster defined benefit pension schemes, all of which are closed to new members, additional pension contributions of £9 million have been made in the half year. Additional payments of around £6 million per annum have been agreed for the Spirit and Pubmaster schemes through to 2017.

At 5 March 2011 there was an IAS 19 net retirement benefit asset of £7 million (August 2010 £23 million deficit).

Our People

Punch employs over 16,000 committed people and we firmly believe that the quality of our people is crucial for our long term success and we aspire to recruit and retain the highest calibre team. Our commitment to building a highly engaged and motivated team was recently recognised by the Sunday Times Top 100 Employers where Punch was rated number 21 in the 'Best Big Companies' to work for in the UK for 2011.

Our Corporate Social Responsibility

We are committed to ensuring that we lead the way in supporting local communities, promoting responsible retailing, protecting the environment and building a high calibre team. Our CSR strategy seeks to involve employees, pub teams and Partners in making our business and in turn, their businesses more ethical and environmentally friendly.

Current Trading and Outlook

We have had a good start to the third quarter with trading in the first five weeks continuing in line with management's expectations with strong like for like sales growth in the Managed estate and an improving like for like trend in the Leased estate.

We are pleased that our operational initiatives continue to translate into improved performance within both the managed and leased businesses. Despite the challenging UK consumer environment, we remain confident of further improvements being delivered in the second half of this financial year and are on track to meet our full year expectations.

Notes to Editors

Punch Taverns plc is a leading pub company in the UK with over 6,000 Leased and Managed pubs nationwide. It was formed in 1997 and made its debut on the UK stock market in May 2002.

The Managed business comprises approximately 800 pubs nationwide. It includes some of the best quality managed pubs in the UK such as Chef & Brewer, and emerging concepts such as Fayre & Square and Flaming Grill. The Leased business comprises approximately 5,800 pubs nationwide, ranging from community locals pubs, rural destination food sites to city centre bars.

For Full Year 2010 the Group achieved EBITDA of £422 million (2009: £514 million); Profit before tax of £131 million (2009: £160 million); Basic earnings per share of 14.4 pence; with net debt reduced by £322 million (9%) to £3,143 million.

CONSOLIDATED CONDENSED INCOME STATEMENT

for the 28 weeks ended 5 March 2011

	28 weeks to 5 March 2011			28 weeks to 6 March 2010		
	Before exceptional items £m	Exceptional items (note 3) £m	Total £m	Before exceptional items £m	Exceptional items (note 3) £m	Total £m
Revenue	655.4	-	655.4	676.6	-	676.6
Operating costs before depreciation, amortisation and impairment	(451.5)	(22.7)	(474.2)	(453.4)	(13.3)	(466.7)
Share of post-tax profit from joint ventures	2.3	-	2.3	1.9	-	1.9
EBITDA¹	206.2	(22.7)	183.5	225.1	(13.3)	211.8
Depreciation and amortisation	(27.1)	-	(27.1)	(26.4)	-	(26.4)
Impairment (note 4)	-	(366.8)	(366.8)	-	-	-
Goodwill charge	-	(80.7)	(80.7)	-	-	-
Profit on sale of non-current assets	-	5.3	5.3	-	0.6	0.6
Operating profit / (loss)	179.1	(464.9)	(285.8)	198.7	(12.7)	186.0
Finance income (note 5)	15.5	14.3	29.8	12.9	31.9	44.8
Finance costs (note 5)	(133.2)	-	(133.2)	(145.2)	-	(145.2)
Movement in fair value of interest rate swaps	-	38.5	38.5	-	(15.3)	(15.3)
Profit / (loss) before taxation	61.4	(412.1)	(350.7)	66.4	3.9	70.3
UK income tax (charge) / credit (note 6)	(16.7)	42.6	25.9	(18.3)	7.2	(11.1)
Profit / (loss) for the financial period attributable to owners of the parent company	44.7	(369.5)	(324.8)	48.1	11.1	59.2
Earnings / (loss) per share (note 7)						
Basic (pence)	7.0		(50.5)	7.5		9.2
Diluted (pence)	6.9		(50.5)	7.5		9.2

¹ EBITDA represents earnings before depreciation and amortisation, impairment, goodwill charge, profit on sale of non-current assets, finance income, finance costs, movement in fair value of interest rate swaps and tax of the Group.

CONSOLIDATED CONDENSED INCOME STATEMENT continued
for the 28 weeks ended 5 March 2011

	52 weeks to 21 August 2010		Total £m
	Before exceptional items £m	Exceptional items (note 3) £m	
Revenue	1,283.0	-	1,283.0
Operating costs before depreciation, amortisation and impairment	(864.7)	(34.2)	(898.9)
Share of post-tax profit from joint ventures	3.5	-	3.5
EBITDA¹	421.8	(34.2)	387.6
Depreciation and amortisation	(51.6)	-	(51.6)
Impairment (note 4)	-	(217.6)	(217.6)
Goodwill charge	-	(9.0)	(9.0)
Loss on sale of non-current assets	-	(5.5)	(5.5)
Operating profit / (loss)	370.2	(266.3)	103.9
Finance income (note 5)	24.9	44.4	69.3
Finance costs (note 5)	(264.3)	-	(264.3)
Movement in fair value of interest rate swaps	-	(68.0)	(68.0)
Profit / (loss) before taxation	130.8	(289.9)	(159.1)
UK income tax (charge) / credit (note 6)	(38.1)	37.3	(0.8)
Profit / (loss) for the financial period attributable to owners of the parent company	92.7	(252.6)	(159.9)
Earnings / (loss) per share (note 7)			
Basic (pence)	14.4		(24.9)
Diluted (pence)	14.4		(24.9)

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.

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

for the 28 weeks ended 5 March 2011

	28 weeks to 5 March 2011 £m	28 weeks to 6 March 2010 £m	52 weeks to 21 August 2010 £m
(Loss) / profit for the period attributable to owners of the parent company	(324.8)	59.2	(159.9)
Actuarial gains on defined benefit pension schemes	19.7	35.0	31.9
Gains / (losses) on cash flow hedges	26.6	(12.8)	(133.4)
Transfers to the income statement on cash flow hedges	42.7	3.7	49.3
Tax relating to components of other comprehensive income	(24.6)	(7.5)	14.8
Other comprehensive income for the period	64.4	18.4	(37.4)
Total comprehensive (losses) / income for the period attributable to owners of the parent company	(260.4)	77.6	(197.3)

CONSOLIDATED CONDENSED BALANCE SHEET

at 5 March 2011

	5 March 2011 £m	6 March 2010 £m	21 August 2010 £m
Assets			
Non-current assets			
Property, plant and equipment (note 8)	4,333.6	4,949.0	4,691.8
Operating leases	69.4	91.4	86.3
Other intangible assets	4.5	4.7	5.3
Goodwill	414.4	500.1	495.1
Retirement benefit assets	10.3	4.1	-
Investments in joint ventures	49.3	40.5	47.0
Derivative financial instruments	-	3.5	-
	4,881.5	5,593.3	5,325.5
Current assets			
Inventories	6.7	6.8	7.8
Trade and other receivables	62.2	106.6	63.5
Current income tax assets	2.9	8.1	11.7
Non-current assets classified as held for sale	111.3	142.6	125.1
Cash and cash equivalents	301.8	306.3	316.5
	484.9	570.4	524.6
Total assets	5,366.4	6,163.7	5,850.1
Liabilities			
Current liabilities			
Trade and other payables	(255.7)	(283.4)	(268.9)
Short term borrowings	(65.9)	(57.4)	(63.5)
Derivative financial instruments	(57.8)	(62.5)	(57.9)
Provisions	(24.9)	(21.6)	(23.5)
	(404.3)	(424.9)	(413.8)
Non-current liabilities			
Borrowings	(3,421.4)	(3,645.9)	(3,511.7)
Derivative financial instruments	(237.2)	(234.7)	(349.2)
Deferred tax liabilities	(9.4)	(39.8)	(10.7)
Retirement benefit obligations	(3.7)	(24.0)	(23.0)
Provisions	(72.2)	(44.7)	(66.0)
Other liabilities	(0.3)	(1.7)	(1.1)
	(3,744.2)	(3,990.8)	(3,961.7)
Total liabilities	(4,148.5)	(4,415.7)	(4,375.5)
Net assets	1,217.9	1,748.0	1,474.6
Shareholders' equity			
Called up share capital	0.3	0.3	0.3
Share premium	455.0	455.0	455.0
Hedge reserve	(111.7)	(112.0)	(162.6)
Share based payment reserve	10.8	10.5	8.5
Retained earnings	863.5	1,394.2	1,173.4
Total equity attributable to owners of the parent company	1,217.9	1,748.0	1,474.6

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

for the 28 weeks ended 5 March 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
At 21 August 2010	0.3	455.0	-	(162.6)	8.5	1,173.4	1,474.6
Loss for the period	-	-	-	-	-	(324.8)	(324.8)
Other comprehensive gains for the period	-	-	-	50.9	-	13.5	64.4
Total comprehensive gain / (loss) for the period attributable to owners of the parent company	-	-	-	50.9	-	(311.3)	(260.4)
Share based payments	-	-	-	-	2.3	1.4	3.7
Total equity at 5 March 2011	0.3	455.0	-	(111.7)	10.8	863.5	1,217.9
At 22 August 2009	0.3	455.0	21.0	(105.2)	8.8	1,288.8	1,668.7
Profit for the period	-	-	-	-	-	59.2	59.2
Other comprehensive (losses) / gains for the period	-	-	-	(6.8)	-	25.2	18.4
Total comprehensive (loss) / gain for the period attributable to owners of the parent company	-	-	-	(6.8)	-	84.4	77.6
Transfer equity component of convertible bonds	-	-	(21.0)	-	-	21.0	-
Share based payments	-	-	-	-	1.7	-	1.7
Total equity at 6 March 2010	0.3	455.0	-	(112.0)	10.5	1,394.2	1,748.0
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

CONSOLIDATED CONDENSED CASH FLOW STATEMENT
for the 28 weeks ended 5 March 2011

	28 weeks to 5 March 2011 £m	28 weeks to 6 March 2010 £m	52 weeks to 21 August 2010 £m
Cash flows from operating activities			
Operating (loss) / profit	(285.8)	186.0	103.9
Depreciation and amortisation	27.1	26.4	51.6
Impairment	366.8	-	217.6
Goodwill charge	80.7	-	9.0
(Profit) / loss on sale of non-current assets	(5.3)	(0.6)	5.5
Share based payment expense recognised in profit	3.7	1.7	3.2
Decrease / (increase) in inventories	1.0	0.7	(0.3)
Decrease / (increase) in trade and other receivables	4.1	(18.0)	23.2
Decrease in trade and other payables	(15.2)	(48.2)	(55.8)
Difference between pension contributions paid and amounts recognised in the income statement	(8.5)	(4.4)	(4.4)
(Decrease) / increase in provisions and other liabilities	(1.3)	1.5	20.3
Share of post-tax profit from joint venture	(2.3)	(1.9)	(3.5)
Cash generated from operations	165.0	143.2	370.3
Income tax received	8.8	0.1	-
Net cash from operating activities	173.8	143.3	370.3
Cash flows from investing activities			
Purchase of property, plant and equipment	(62.8)	(36.2)	(103.0)
Proceeds from sale of property, plant and equipment	12.6	91.2	180.2
Proceeds from sale of operating leases	-	0.4	0.8
Proceeds from sale of other non-current assets held for sale	49.0	106.8	118.2
Purchase of other intangible assets	(0.4)	(1.5)	(0.1)
Interest received	2.2	1.7	3.7
Net cash generated from investing activities	0.6	162.4	199.8
Cash flows from financing activities			
Repayment of convertible bonds	-	(202.7)	(202.7)
Repayment of borrowings	(67.1)	(312.7)	(428.1)
Repayment of derivative financial instruments	-	(22.5)	(33.3)
Interest paid	(119.0)	(136.0)	(259.9)
Repayments of obligations under finance leases	(1.3)	(1.6)	(2.6)
Interest element of finance lease rental payments	(0.6)	(0.6)	(1.1)
Costs of terminating financing arrangements	(1.1)	(1.9)	(4.5)
Net cash used in financing activities	(189.1)	(678.0)	(932.2)
Net decrease in cash and cash equivalents	(14.7)	(372.3)	(362.1)
Cash and cash equivalents at beginning of period	316.5	678.6	678.6
Cash and cash equivalents at end of period	301.8	306.3	316.5

NOTES TO THE FINANCIAL STATEMENTS

for the 28 weeks ended 5 March 2011

1. ACCOUNTING POLICIES

Basis of preparation

This condensed set of interim financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU. The Group's Annual Report and Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure and Transparency rules of the Financial Services Authority, this condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's Annual Report and Financial Statements 2010, and which are expected to apply at 20 August 2011.

The comparative figures for the 52 weeks to 21 August 2010 presented in these interim financial statements are not the Group's statutory accounts for that financial period. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The following new standards, interpretations and amendments to published standards 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'

The above new standards, interpretations and amendments to published standards have had no material impact on the results or the financial position of the Group for the 28 weeks to 5 March 2011.

NOTES TO THE FINANCIAL STATEMENTS continued
for the 28 weeks ended 5 March 2011

2. SEGMENTAL ANALYSIS

	Leased £m	Managed £m	Unallocated £m	Total £m
28 weeks to 5 March 2011:				
Drink revenue	226.6	183.1	-	409.7
Food revenue	-	129.1	-	129.1
Rental income	88.8	-	-	88.8
Other revenue	9.4	18.4	-	27.8
Revenue	324.8	330.6	-	655.4
Operating costs ¹	(165.6)	(285.9)	-	(451.5)
Share of post-tax profit from joint ventures	-	-	2.3	2.3
EBITDA ¹	159.2	44.7	2.3	206.2
Depreciation and amortisation	(9.5)	(17.6)	-	(27.1)
Operating profit before exceptional items	149.7	27.1	2.3	179.1
Operating exceptional items				(464.9)
Net finance costs				(103.4)
Movement in fair value of interest rate swaps				38.5
UK income tax credit				25.9
Loss attributable to owners of the parent company				(324.8)
28 weeks to 6 March 2010:				
Drink revenue	241.1	182.5	-	423.6
Food revenue	-	125.7	-	125.7
Rental income	99.0	-	-	99.0
Other revenue	11.0	17.3	-	28.3
Revenue	351.1	325.5	-	676.6
Operating costs ¹	(167.7)	(285.7)	-	(453.4)
Share of post-tax profit from joint ventures	-	-	1.9	1.9
EBITDA ¹	183.4	39.8	1.9	225.1
Depreciation and amortisation	(10.7)	(15.7)	-	(26.4)
Operating profit before exceptional items	172.7	24.1	1.9	198.7
Operating exceptional items				(12.7)
Net finance costs				(100.4)
Movement in fair value of interest rate swaps				(15.3)
UK income tax charge				(11.1)
Profit attributable to owners of the parent company				59.2
52 weeks to 21 August 2010:				
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)

¹ Pre exceptional items.

5 March 2011	Leased £m	Managed £m	Unallocated £m	Total £m
Assets and liabilities				
Segment assets	3,536.3	1,465.8	-	5,002.1
Unallocated assets	-	-	364.3	364.3
Total assets	3,536.3	1,465.8	364.3	5,366.4
Segment liabilities	(161.6)	(208.6)	-	(370.2)
Unallocated liabilities	-	-	(3,778.3)	(3,778.3)
Total liabilities	(161.6)	(208.6)	(3,778.3)	(4,148.5)
Net assets	3,374.7	1,257.2	(3,414.0)	1,217.9

6 March 2010

Assets and liabilities				
Segment assets	4,346.2	1,455.0	-	5,801.2
Unallocated assets	-	-	362.5	362.5
Total assets	4,346.2	1,455.0	362.5	6,163.7
Segment liabilities	(213.7)	(155.3)	-	(369.0)
Unallocated liabilities	-	-	(4,046.7)	(4,046.7)
Total liabilities	(213.7)	(155.3)	(4,046.7)	(4,415.7)
Net assets	4,132.5	1,299.7	(3,684.2)	1,748.0

21 August 2010

Assets and liabilities				
Segment assets	4,063.2	1,411.6	-	5,474.8
Unallocated assets	-	-	375.3	375.3
Total assets	4,063.2	1,411.6	375.3	5,850.1
Segment liabilities	(186.5)	(190.0)	-	(376.5)
Unallocated liabilities	-	-	(3,999.0)	(3,999.0)
Total liabilities	(186.5)	(190.0)	(3,999.0)	(4,375.5)
Net assets	3,876.7	1,221.6	(3,623.7)	1,474.6

Segment assets include property, plant and equipment, operating leases, goodwill, other intangible assets, inventories, receivables and non-current assets classified as held for sale, and exclude cash, taxation, retirement benefit assets and investments in joint ventures, while segment liabilities comprise operating liabilities and exclude taxation, corporate borrowings (excluding finance lease obligations) and related derivatives and retirement benefit liabilities.

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:

	28 weeks ended 5 March 2011 £m	28 weeks ended 6 March 2010 £m	52 weeks ended 21 August 2010 £m
Operating			
Business separation costs	(2.9)	-	-
Restructuring, redundancy and other related one-off costs	(2.4)	(1.9)	(1.5)
Movement on property liabilities ¹	(17.4)	(11.4)	(32.7)
Impairment losses (note 4)	(366.8)	-	(217.6)
Goodwill charge ²	(80.7)	-	(9.0)
Profit / (loss) on sale of non-current assets	5.3	0.6	(5.5)
	(464.9)	(12.7)	(266.3)
Finance income			
Loan note redemptions ³	14.3	31.9	44.4
	38.5	(15.3)	(68.0)
Movement in fair value of interest rate swaps⁴			
	(412.1)	3.9	(289.9)
Tax			
Tax impact of exceptional items	(4.9)	7.1	29.6
Adjustments to tax in respect of prior periods	47.5	0.1	7.7
	42.6	7.2	37.3
Total exceptional items after tax	(369.5)	11.1	(252.6)

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

² In the current period, represents impairment of goodwill allocated to turnaround pubs which have moved from core during the period. In the prior period, represents the write down of goodwill allocated to those pubs disposed of during the year (August 2010: £9.0m of which £5.8m related to the leased estate and £3.2m related to the managed estate).

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

⁴ 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.

4. IMPAIRMENT LOSSES

Property, plant and equipment and operating leases

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

During the 28 week period under review to 5 March 2011, 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 company'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, particularly the managed sector.

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 is around 2,400 pubs. It is expected that these pubs will be disposed of over a 5 year period.

The values of these turnaround 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 £361.9m impairment has been charged in the period. In addition, a £4.9m impairment charge has been made against the managed pub estate, representing the writedown in asset values against onerous leasehold properties.

The impairment charges recognised in the period in both the leased and managed estates are:

	Leased £m	Managed £m	Total £m
28 weeks ended 5 March 2011:			
Property, plant and equipment	350.9	1.6	352.5
Operating leases	11.0	3.3	14.3
	361.9	4.9	366.8
28 weeks ended 6 March 2010:			
Property, plant and equipment	-	-	-
Operating leases	-	-	-
	-	-	-
52 weeks ended 21 August 2010:			
Property, plant and equipment	209.1	8.5	217.6
Operating leases	-	-	-
	209.1	8.5	217.6

Cash flows used in the value-in-use calculation of turnaround pubs are based on earnings before interest and taxation. Since turnaround pubs have been identified as not having a viable future to Punch as a pub, their value-in-use has been calculated by extrapolating the earnings of these pubs for a period of three years, and then using the fair value less costs to sell at that time as the terminal value at the end of year three. The cash flow forecasts used assume an ongoing trading decline for these pubs. The pre-tax risk adjusted discount rate applied to cash flow projections is 8.0% (August 2010: 8.0%). In practice, due to the projected decline in profits in the non core estate, the majority of pubs were written down to their FVLCS as their VIU is below this level. Estimates of FVLCS were based on valuations undertaken by in-house property valuation experts.

Included within the above are reversals of impairment losses of properties of £19.7m for the leased estate and £3.9m for the managed estate. The impairment reversals were primarily due to the identification of pubs where expected future cash flows have risen to such a level that their value-in-use is now above carrying value.

Sensitivity to changes in assumptions

The Group has recognised a total impairment of £366.8m. The level of impairment is predominantly dependent upon judgements used in arriving at projected disposal values, future profit expectations and the discount rate applied to cash flow projections. Key drivers to future growth rates are dependant on the Group's ability to maintain drinks, rental and gaming machine profit streams in the leased business, whilst in the managed business, future growth rates are dependant on the ability to maintain drinks, food and gaming machine profit streams whilst effectively managing pub operating costs. The impact on the impairment charge of applying different assumptions to the disposal values, growth rates used in the five year financial forecasts and in the pre-tax discount rates would be as follows:

		Impairment charge / (credit) and reduction / (increase) in net assets		
		Leased £m	Managed £m	Total £m
Impact if disposal value was:	increased by 10%	(51.0)	(1.1)	(52.1)
	decreased by 10%	53.2	1.1	54.3
Impact if discount rate was:	increased by 1%	6.4	-	6.4
	decreased by 1%	(7.5)	-	(7.5)
Impact if business plan growth rates were:	increased by 10% in each year	(13.0)	-	(13.0)
	decreased by 10% in each year	11.4	-	11.4

Goodwill

Goodwill is allocated to groups of CGUs in the leased estate and in the managed estate. During the year ended 21 August 2010 the leased estate was reorganised from one group of CGUs to separate core and turnaround reporting structures. The allocation of leased goodwill between core and turnaround indicated that no goodwill should be allocated to the turnaround estate given the low value of the properties in the estate and the low level of synergistic benefits. During the 28 weeks ended 5 March 2011, a further c.1,400 pubs have been transferred in to turnaround and at that stage goodwill of £80.7m was reallocated to the turnaround estate. The intention to dispose of these turnaround properties in the medium term triggered an impairment review and an impairment charge of £80.7m was taken against this goodwill. For goodwill impairment purposes, the recoverable amount of the turnaround group of CGUs was based on an aggregate of the higher of the FVLCS and the VIU for the turnaround pubs. The basis of these calculations is set out in the property, plant and equipment and operating leases impairment disclosures above.

5. FINANCE INCOME AND COSTS

	28 weeks ended 5 March 2011 £m	28 weeks ended 6 March 2010 £m	52 weeks ended 21 August 2010 £m
Finance income			
Bank interest receivable	2.6	2.1	3.6
Pension finance income	12.9	10.8	20.8
Other finance income	-	-	0.5
Exceptional finance income (note 3)	14.3	31.9	44.4
Total finance income	29.8	44.8	69.3
Finance costs			
Interest payable on loan notes	115.6	128.7	231.6
Interest payable on convertible bonds	-	2.2	2.2
Interest payable on finance leases	0.5	0.5	1.1
Pension finance costs	12.0	11.5	21.7
Other interest payable	-	-	0.1
Amortisation of deferred issue costs	1.1	1.4	2.4
Effect of unwinding discounted provisions	4.0	0.9	5.2
Total finance costs	133.2	145.2	264.3

6. TAXATION

The effective taxation charge applied in these interim results of 28.2% before exceptional items and share of post-tax earnings from joint ventures, reflects the estimated tax rate for the 52 weeks ending 21 August 2011. The effective rate of taxation for the comparative period was 28.4%.

The total tax credit of £25.9m (March 2010: charge of £11.1m; August 2010: charge of £0.8m) includes an exceptional tax credit of £42.6m (March 2010: £7.2m; August 2010: £37.3m).

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 used in the calculations are set out below:

	28 weeks to 5 March 2011		28 weeks to 6 March 2010		52 weeks to 21 August 2010	
	Earnings £m	Per share amount pence	Earnings £m	Per share amount pence	Earnings £m	Per share amount pence
Basic (loss) / earnings per share	(324.8)	(50.5)	59.2	9.2	(159.9)	(24.9)
Diluted (loss) / earnings per share	(324.8)	(50.5)	59.2	9.2	(159.9)	(24.9)
Supplementary earnings per share figures:						
Basic earnings per share before exceptional items	44.7	7.0	48.1	7.5	92.7	14.4
Diluted earnings per share before exceptional items	44.7	6.9	48.1	7.5	92.7	14.4

The diluted loss per share for the 52 weeks to 21 August 2010 has been amended from that previously reported as in a loss per share situation diluted loss per share should be equal to or higher than basic loss per share.

The impact of dilutive ordinary shares is to increase weighted average shares by 2.2 million (March 2010: 0.1 million; August 2010: 1.1 million) for employee share options.

	28 weeks to 5 March 2011 No. (m)	28 weeks to 6 March 2010 No. (m)	52 weeks to 21 August 2010 No. (m)
Basic weighted average number of shares	642.9	642.4	642.5
Long Term Incentive Plan	2.1	-	1.0
Share Bonus Plan	0.1	-	0.1
Deferred Bonus Shares	-	0.1	-
Diluted weighted average number of shares	645.1	642.5	643.6

8. PROPERTY, PLANT AND EQUIPMENT

	£m
Net book amount at 22 August 2010	4,691.8
Additions	75.5
Disposals	(7.4)
Depreciation	(23.5)
Impairment	(352.5)
Other movements	(50.3)
Net book amount at 5 March 2011	4,333.6
Net book amount at 23 August 2009	5,124.3
Additions	37.6
Disposals	(86.1)
Depreciation	(22.9)
Other movements	(103.9)
Net book amount at 6 March 2010	4,949.0
Net book amount at 23 August 2009	5,124.3
Additions	110.5
Disposals	(132.7)
Depreciation	(44.9)
Impairment	(217.6)
Other movements	(147.8)
Net book amount at 22 August 2010	4,691.8

9. NET DEBT

(a) Analysis of net debt

	5 March 2011 £m	6 March 2010 £m	21 August 2010 £m
Secured loan notes	(3,380.6)	(3,583.0)	(3,459.8)
Cash and cash equivalents	301.8	306.3	316.5
Nominal value of net debt	(3,078.8)	(3,276.7)	(3,143.3)
Capitalised debt issue costs	10.0	13.3	11.4
Fair value adjustments on acquisition of secured loan notes	(100.5)	(116.5)	(109.8)
Fair value of interest rate swaps	(295.0)	(293.7)	(407.1)
Finance lease obligations	(16.2)	(17.1)	(17.0)
Net debt	(3,480.5)	(3,690.7)	(3,665.8)
Balance sheet:			
Borrowings	(3,487.3)	(3,703.3)	(3,575.2)
Derivative financial instruments	(295.0)	(293.7)	(407.1)
Cash and cash equivalents	301.8	306.3	316.5
Net debt	(3,480.5)	(3,690.7)	(3,665.8)

NOTES TO THE FINANCIAL STATEMENTS continued
for the 28 weeks ended 5 March 2011

(b) Analysis of changes in net debt

	At 21 August 2010 £m	Cash flow £m	Non-cash movements £m	At 5 March 2011 £m
Current assets				
Cash at bank and in hand	316.5	(14.7)	-	301.8
Cash and cash deposits	316.5	(14.7)	-	301.8
Debt				
Borrowings	(3,575.2)	68.4	19.5	(3,487.3)
Derivative financial instruments	(407.1)	-	112.1	(295.0)
	(3,982.3)	68.4	131.6	(3,782.3)
Net debt per balance sheet	(3,665.8)	53.7	131.6	(3,480.5)

Net debt incorporates the Group's borrowings, bank overdrafts, 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, fair value movement in derivative financial instruments and profit on the purchase of securitised debt.

10. RELATED PARTY TRANSACTIONS

Balances arising from transactions with joint ventures

The Group holds 50% of the entire share capital of Matthew Clark (Holdings) Limited. At 5 March 2011, the Group's investment in this joint venture is £49.3m (March 2010: £40.5m; August 2010: £47.0m). The Group had transactions of £8.4m with Matthew Clark during the current period (28 weeks to 6 March 2010: £10.4m; 52 weeks to 21 August 2010: £17.4m), £0.4m of which was owing to Matthew Clark at the period end (March 2010: £1.3m; August 2010: £4.1m).

The Group also holds 51% of the share capital of Allied Kunick Entertainments Limited, but can only exercise joint control as both parties have equal voting rights. During the period, the Group has paid invoices and raised sales invoices on behalf of this joint venture which have been recharged via an intercompany account. At 5 March 2011, the Group owes Allied Kunick Entertainments Limited £0.4m (March 2010: Allied Kunick Entertainments Limited owes the Group £0.2m, August 2010: the Group owes Allied Kunick Entertainments Limited £0.5m).

Balances arising from transactions with joint ventures	At 5 March 2011 £m	At 6 March 2010 £m	At 21 August 2010 £m
Unsecured loan stock receivable	10.9	10.4	10.6
Amounts owed to joint ventures	(0.8)	(1.1)	(4.6)
Total amounts due from joint ventures	10.1	9.3	6.0

All rights, together with the joint venture partner of Allied Kunick Entertainments Limited, to receive interest on the unsecured loan stock, have been waived. The amount outstanding at the period end has been fully provided by the Group due to the uncertainty of its recoverability.

11. PENSIONS

In July 2010, the Government announced a proposal to replace the Retail Price Index (RPI) with the Consumer Price Index (CPI) for pension increases in the public sector on the basis that CPI is a more appropriate measure of the change in cost of living for pensioners than RPI. Where the Group has no obligation to use RPI, it intends to adopt CPI in its schemes. Following completion of the review of the Pubmaster Pension Scheme rules and correspondence with members in the period, the valuation of this scheme has been prepared referencing CPI for deferred pensions in this scheme at 5 March 2011. This changed assumption has not had a material impact on the valuation. The review of the scheme rules and correspondence with members is ongoing for the Punch Pub Company Pension Scheme and the Punch Pub Company Retail Pension Scheme and therefore these schemes have been valued referencing RPI at 5 March 2011. The impact of changing from RPI to CPI for these schemes is likely to result in a reduction in the present value of the scheme liabilities.

12. CAPITAL COMMITMENTS

Capital commitments contracted, but not provided for by the Group, amounted to £16.4m (March 2010: £8.2m, August 2010: £18.4m).

13. SEASONALITY OF INTERIM OPERATIONS

The Group's financial results and cash flows are impacted by the financial year being split into two unequal periods, with the first half being 28 weeks and the second half being 24 weeks.

In addition, the Group's financial results and cash flows have, historically, been subject to seasonal trends between the first and the second half of the financial year. Traditionally, the summer months in the second half of the financial year see higher revenue and profitability, as a result of the better weather conditions. There is no assurance that this trend will continue in the future.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk is an inherent part of doing business. The Punch Taverns plc Board has overall responsibility for the management of the principal risks and internal control of the Company. The Board has identified the following factors as the principal potential risks to the successful operation of the business. These risks remain those most likely to affect the Group in the second half of the year.

Market and economic risks:

- Economic climate
- Property valuations
- Increasing costs

Financial:

- Liquidity and covenant risk
- Interest rate risk
- Pensions
- Internal financial control

Operational and people:

- Change management
- Information systems, technology and security
- Product quality
- Service standards and threats to our concepts and reputation
- Supply chain management
- People risks

For greater detail of these risks, which are unchanged from the Group's Annual Report and Financial Statements 2010, please refer to page 22 to 25 of the Group's Annual Report and Financial Statements 2010, a copy of which is available on the Group's website www.punchtaverns.com.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

I confirm that to the best of my knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first 28 weeks of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining 24 weeks of the year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first 28 weeks of the current financial year and that have materially affected the financial position or performance of the group during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

Ian Dyson

Chief Executive Officer
11 April 2011

Independent review report to Punch Taverns plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 28 weeks ended 5 March 2011 which comprises the Consolidated Condensed Income Statement, Consolidated Condensed Statement of Comprehensive Income, Consolidated Condensed Balance Sheet, Consolidated Condensed Statement of Changes in Equity, Consolidated Condensed Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules (DTR) of the UK's Financial Services Authority (UK FSA). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 28 weeks ended 5 March 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

G A Watts

for and on behalf of KPMG Audit Plc

Chartered Accountants

One Snowhill

Snowhill Queensway

Birmingham, B4 6GH

United Kingdom

11 April 2011