



SPIRIT ISSUER
SPIRIT MANAGED PUBS LIMITED AND PUNCH TAVERNS (PUBS) LIMITED

FINANCIAL REPORT – QUARTER 2 (MARCH 2009)

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Introduction

The Borrower Group Estate (defined below) in respect of the £1.25 billion Spirit Issuer debenture bond issued in November 2004, ended its second quarter of the 2008/09 financial year on 7 March 2009. This report covers the 12 week period to that date.

This report is prepared under UK Generally Accepted Accounting Principles ("UK GAAP") and excludes any impact of International Financial Reporting Standards ("IFRS").

The pubs operated under the lease style of operation are owned by Punch Taverns (Pubs) Limited, the pubs operated under the managed style of operation are owned by Spirit Managed Pubs Limited, together they form the "Borrower Group Estate".

Profit Commentary

Trading results for the second quarter were as follows:

- **Sales**

Net sales for the 12 weeks to 7 March 2009 totalled £135.9m for the managed division, which comprised 764 pubs at the quarter end and £23.7m for the leased division, which comprised 638 pubs at the quarter end, as reported.

Average turnover per pub for the second financial quarter of the 2008/09 financial year was £177k for the managed division.

- **EBITDA**

Managed EBITDA amounted to £18.8m and leased EBITDA to £12.0m for the quarter, after divisional overheads.



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Estate Portfolio

- During the quarter, within the managed estate, two pubs were disposed of individually, for net proceeds of £3.8m. Within the leased estate, one pub was disposed of individually, for net proceeds of £0.7m.
- Six pubs have been transferred during the quarter, from the managed to the leased trading format within the Borrower Group Estate.

	<u>Quarter 2</u> <u>Managed pubs</u>	<u>Quarter 2</u> <u>Leased pubs</u>	<u>Quarter 2</u> <u>Managed and</u> <u>Leased pubs</u>	<u>YTD 2008/09</u> <u>Managed and</u> <u>Leased pubs</u>
	12 weeks to 7 March 2009	12 weeks to 7 March 2009	12 weeks to 7 March 2009	28 weeks to 7 March 2009
Number of Pubs				
Opening	772	633	1,405	1,322
Acquisitions	-	-	-	83
Managed to lease transfers	(6)	6	-	-
Disposals	(2)	(1)	(3)	(3)
End of Period	<u><u>764</u></u>	<u><u>638</u></u>	<u><u>1,402</u></u>	<u><u>1,402</u></u>

Investment in Assets

	<u>Quarter 2</u> <u>12 weeks to</u> <u>7 March</u> <u>2009</u> <u>£m</u>	<u>YTD 2008/09</u> <u>28 weeks to</u> <u>7 March</u> <u>2009</u> <u>£m</u>
Payments to acquire new pubs	-	50.0
Spend on existing pubs	8.2	33.1
Total Spend on Estate	<u><u>8.2</u></u>	<u><u>83.1</u></u>
Disposal Proceeds¹	<u><u>4.5</u></u>	<u><u>4.8</u></u>

¹ The proceeds in the current period include £nil (Year to date: £0.3m) relating to land and other sales.



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Debt Service Cover Ratio (DSCR)

The DSCR is calculated upon the actual performance of the current estate at the financial quarter end. It is calculated as follows:

	Rolling 4 Quarters 53 weeks to 7 March 2009
	£m
EBITDA	165.1
Less: capex	(21.5)
Plus: interest received	2.7
Free cash flow	<u>146.3</u>
Actual debt service	85.6
Synthetic debt service	100.3
Debt service cover ratio (Default basis)	<u>1.71</u>
Debt service cover ratio (OpFlex basis)	<u>1.46</u>

As described above, the DSCR is calculated on the actual performance of the current estate at the financial quarter end. If the DSCR (OpFlex) is below 1.50:1 as at the most recent Financial Quarter Date, a Financial Adviser is required to be appointed in accordance with the Transaction Documents. However, since the end of the most recently completed Financial Quarter (7 March 2009) the Borrower Group has undertaken remedial action in respect of the DSCR by buying back Debenture Bonds, which have then been surrendered to the Issuer for cancellation. This buy back programme will have the effect of lowering the level of Synthetic Debt Service which is used in the calculation of the DSCR (OpFlex) going forward.

Accordingly, if the DSCR (OpFlex) were to be calculated on a pro forma basis for the period of four Financial Quarters to 7 March 2009 (where pro forma would involve excluding the EBITDA of pubs disposed of in the period and excluding the debt service relating to Debenture Bonds surrendered to and cancelled by the Issuer post-7 March 2009, resulting in a pro forma Free Cash Flow of £143.9m and a pro forma Synthetic Debt Service of £95.0m), the DSCR (OpFlex) would have been 1.51:1.

Until otherwise notified, the Borrower Group Security Trustee has agreed with the Borrower Group to waive the requirement to appoint a Financial Adviser, in accordance with the Transaction Documents, as described above.

The Borrower Group has agreed with the Borrower Group Security Trustee to commence discussions with a prospective Financial Adviser, in order that such Financial Adviser could be appointed promptly should the DSCR (OpFlex) be below 1.50:1 as at a future Financial Quarter Date.

The Borrower Group and the Borrower Group Security Trustee continue to review the situation in respect of DSCR (OpFlex) and (save as described in this report) the Borrower Group Security Trustee has not waived and continues to reserve its right to appoint a Financial Adviser, in accordance with the Transaction Documents and such waiver shall be without prejudice to any other consequence under the Transaction Documents of the DSCR (OpFlex) being below 1.50:1 as at the most recent Financial Quarter Date.



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Interest and Capital Payments

	<u>Quarter 2</u> 12 weeks to 7 March 2009	<u>YTD 2008/09</u> 28 weeks to 7 March 2009
	<u>£m</u>	<u>£m</u>
Interest Payments		
A1	2.4	4.7
A2	3.7	7.2
A3	3.6	7.3
A4	5.7	11.5
A5	4.1	8.2
Swap costs	0.3	0.8
Other	0.8	1.6
	<u><u>20.6</u></u>	<u><u>41.3</u></u>
 Capital Repayments	 <u><u>-</u></u>	 <u><u>-</u></u>

Capital repayments are not due to commence until 2014.



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PROFIT AND LOSS ACCOUNT	Quarter 2	YTD 2008/09
	12 weeks to	28 weeks to
	7 March	7 March
	2009	2009
	£m	£m
MANAGED DIVISION		
Turnover		
Drink (net of discounts)	76.3	180.3
Food (net of discounts)	53.4	126.2
Machines	3.0	7.0
Other	3.2	8.5
Total Turnover	<u>135.9</u>	<u>322.0</u>
Gross margin	95.7	226.7
Pub costs	(63.5)	(148.9)
Rent payable	(6.4)	(16.3)
Outlet EBITDA	<u>25.8</u>	<u>61.5</u>
Managed overheads	(7.0)	(15.9)
Managed EBITDA	<u>18.8</u>	<u>45.6</u>
LEASED DIVISION		
Turnover		
Beer (net of discounts)	13.4	30.6
Rent	6.6	15.3
Machines	1.2	2.7
Other	2.5	6.1
Total Turnover	<u>23.7</u>	<u>54.7</u>
Gross Profit		
Beer	6.1	14.2
Rent	6.6	15.3
Machines	1.2	2.7
Other	0.9	2.3
Total Gross Profit	<u>14.8</u>	<u>34.5</u>
Leased costs (including overheads)	(2.8)	(7.1)
Leased EBITDA	<u>12.0</u>	<u>27.4</u>
Combined EBITDA	<u>30.8</u>	<u>73.0</u>
Administrative fee	(0.3)	(0.8)
Profit on disposal	2.2	2.4
Depreciation and amortisation – managed division	(10.5)	(25.0)
Depreciation and amortisation – leased division	(0.4)	(0.9)
Exceptional items	(1.6)	(1.7)
Management recharge	3.1	3.1
Interest payable on debenture	(20.1)	(45.6)
Intercompany interest payable	(26.5)	(60.7)
Other interest receivable	2.0	2.9
Movement in the fair value of interest rate swaps	(65.0)	(65.0)
Loss Before Taxation	<u>(86.3)</u>	<u>(118.3)</u>

¹ Exceptional items relate to costs incurred on reorganisation of field and central support teams.



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AGGREGATED BALANCE SHEET

	As at 7 March 2009 <u>£m</u>	As at 23 August 2008 <u>£m</u>
Tangible Fixed Assets	2,202.4	2,151.3
Stocks	6.2	7.6
Debtors	12.4	18.3
Cash	31.8	84.2
Creditors due within one year	(63.3)	(82.4)
Current assets less current liabilities	<u>(12.9)</u>	<u>27.7</u>
Total operating assets	2,189.5	2,179.0
Creditors due after more than one year	(11.4)	(11.7)
Securitised debt due after more than one year	(1,250.0)	(1,250.0)
Deferred tax	6.6	(15.6)
Provisions for liabilities and charges	(10.1)	(9.4)
Defined benefit pension scheme	(6.9)	12.7
Derivative financial instrument	(138.5)	(73.6)
Amounts due to group undertakings	(830.3)	(770.7)
	<u>(2,240.6)</u>	<u>(2,118.3)</u>
NET (LIABILITIES) / ASSETS	<u>(51.1)</u>	<u>60.7</u>
Capital and Reserves		
Share Capital	-	-
Revaluation Reserve	(1.4)	(1.4)
Capital Contribution	153.3	153.3
Other Reserves	(41.3)	(41.3)
Profit and Loss Reserves	(161.7)	(49.9)
SHAREHOLDERS' (DEFICIT) / FUNDS	<u>(51.1)</u>	<u>60.7</u>



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AGGREGATED CASH FLOW

	<u>Quarter 2</u> 12 weeks to 7 March 2009 <u>£m</u>	<u>YTD 2008/09</u> 28 weeks to 7 March 2009 <u>£m</u>
Operating profit	19.6	46.3
Depreciation and amortisation	10.9	25.9
Increase in working capital	(23.2)	(6.0)
Net Cash Inflow from Operating Activities	<u>7.3</u>	<u>66.2</u>
Returns on Investment and Servicing of Finance		
Interest paid	(20.6)	(41.3)
Interest received	0.1	1.0
	<u>(20.5)</u>	<u>(40.3)</u>
Capital Expenditure and Financial Investment		
Payments to acquire new pubs	-	(50.0)
Investment spend on fixed assets	(8.2)	(33.1)
Receipt from sale of fixed assets	4.5	4.8
	<u>(3.7)</u>	<u>(78.3)</u>
NET DECREASE IN CASH	<u><u>(16.9)</u></u>	<u><u>(52.4)</u></u>



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FINANCIAL RATIO COMPLIANCE CERTIFICATE

To: Security Trustee

- 1 We, Phil Dutton and Giles Thorley, each being a director of Spirit Managed Pubs Limited and Punch Taverns (Pubs) Limited, HEREBY CERTIFY without incurring any personal liability for the same, that for the Financial Quarter just ended:
- (a) the Debt Service Cover Ratio (Default) for the period of four Financial Quarters ending on 7 March 2009 was 1.71:1 (both with and without any Additional Properties);
 - (b) the Debt Service Cover Ratio (Opflex) for the period of four Financial Quarters ending on 7 March 2009 was 1.46:1;
 - (c) the Adjusted Debt Service Cover Ratio (Default) for the period of two Financial Quarters ending on 7 March 2009 was 1.42:1;
 - (d) the Loan-to-Value Ratio expressed as a percentage calculated in accordance with Clause 15.1 of the Issuer/Borrower Facility Agreement for the Financial Quarter commencing on 14 December 2008 and ending on 7 March 2009 was 61.2% (both with and without any Additional Properties);
 - (e) in addition, the following values were relevant for the Financial Quarter just ended:

The average and final balance of the Borrower's accounts	Managed Borrower Average - £25.9m Final - £19.3m Leased Borrower Average - £8.1m Final - £12.1m
CapEx Amounts expended	£12m for the quarter
Unspent CapEx amounts	£nil
Number of Punch Taverns Mortgaged Properties disposed of or acquired	Disposals - 3 Acquisitions - nil
Number of Pubs in Portfolio	1,402
Disposal Proceeds Account balance	Managed Borrower £7.1m Leased Borrower £1.2m

- (f) As of the date of this Certificate, no Borrower Group Event of Default or Potential Borrower Group Event of Default (which in either case, has not previously been notified to the Security Trustee) has occurred;



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FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)

- 2 In accordance with Clause 14.1(b) of the Issuer/Borrower Facility Agreement, we confirm that there have been:
- (a) no material amendments made to the Material Contracts since the date of the last Financial Ratio Compliance Certificate;
 - (b) no Material Contracts entered into since the date of the last Financial Ratio Compliance Certificate;
 - (c) no Material Contracts assigned since the date of the last Financial Ratio Compliance Certificate, for which consent to assign was required.
- 3 The number of Borrower Mortgaged Properties which have been converted by the Leased Borrower from Managed Pubs to Tenanted Pubs in accordance with the terms of the IBFA since July 2006 is 611.
- 4 The number of Borrower Mortgaged Properties which have been converted by the Leased Borrower from Managed Pubs to Tenanted Pubs in accordance with the terms of the IBFA since the previous Financial Quarter is 6.
- 5 The amounts owed by each Borrower under the Term Advances and the LoanCo/Borrower Subordinated Loan are:

Issuer/ Borrower Facility Agreement	Managed Borrower	Leased Borrower
Term A1 Loan	£96.1m	£53.9m
Term A2 Loan	£128.1m	£71.9m
Term A3 Loan	£160.1m	£89.9m
Term A4 Loan	£224.2m	£125.8m
Term A5 Loan	£192.2m	£107.8m
LoanCo/Borrower Subordinated Loan	£183.8m	£366.2m

- 6 Terms used in this Financial Ratio Compliance Certificate that are not defined herein shall have the meaning given to them in the Master Definitions and Construction Schedule dated 25 November 2004 (as amended and restated with effect from the Effective Date and as may be further amended or varied from time to time).

Dated: 28 April 2009

Signed for and on behalf of
 Spirit Managed Pubs Limited and Punch Taverns (Pubs) Limited

.....
 Finance Director

.....
 Director