



SPIRIT ISSUER
PUNCH PUB COMPANY (PUBS) LIMITED (FORMERLY SPIRIT MANAGED PUBS LIMITED) AND PUNCH PARTNERSHIPS (PUBS) LIMITED (FORMERLY PUNCH TAVERNS (PUBS) LIMITED)

FINANCIAL REPORT – QUARTER 3 (MAY 2009)

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FINANCIAL REPORT – QUARTER 3 (MAY 2009)

Introduction

The Borrower Group Estate (defined below) in respect of the £1.25 billion Spirit Issuer debenture bond issued in November 2004, ended its third quarter of the 2008/09 financial year on 30 May 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 Partnerships (Pubs) Limited (formerly Punch Taverns (Pubs) Limited), the pubs operated under the managed style of operation are owned by Punch Pub Company (Pubs) (formerly Spirit Managed Pubs Limited), together they form the "Borrower Group Estate".

Revised Debt Structure

During the quarter, Spirit Issuer purchased loan notes with a principal value of £107.5m.

Profit Commentary

Trading results for the third quarter were as follows:

- **Sales**

Net sales for the 12 weeks to 30 May 2009 totalled £147.3m for the managed division, which comprised 732 pubs at the quarter end and £25.2m for the leased division, which comprised 628 pubs at the quarter end, as reported.

Average turnover per pub for the third financial quarter of the 2008/09 financial year was £197k for the managed division, up from £191k in the equivalent quarter in the prior year.

- **EBITDA**

Managed EBITDA amounted to £27.9m and leased EBITDA to £12.6m for the quarter, after divisional overheads.



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Estate Portfolio

- During the quarter, within the managed estate, 17 pubs were disposed of individually, for net proceeds of £23.1m and six pubs were disposed of as part of packages, for net proceeds of £21.0m. Within the leased estate, nine pubs were disposed of individually, for net proceeds of £3.3m and ten pubs were disposed of as part of packages, for net proceeds of £10.2m.
- Nine pubs have been transferred during the quarter, from the managed to the leased trading format within the Borrower Group Estate.

	<u>Quarter 3</u> <u>Managed pubs</u>	<u>Quarter 3</u> <u>Leased pubs</u>	<u>Quarter 3</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 30 May 2009	12 weeks to 30 May 2009	12 weeks to 30 May 2009	40 weeks to 30 May 2009
Number of Pubs				
Opening	764	638	1,402	1,322
Acquisitions	-	-	-	83
Managed to lease transfers	(9)	9	-	-
Disposals	(23)	(19)	(42)	(45)
End of Period	<u>732</u>	<u>628</u>	<u>1,360</u>	<u>1,360</u>

Investment in Assets

	<u>Quarter 3</u> <u>12 weeks to</u> <u>30 May 2009</u>	<u>YTD 2008/09</u> <u>40 weeks to</u> <u>30 May 2009</u>
	<u>£m</u>	<u>£m</u>
Payments to acquire new pubs	-	50.0
Spend on existing pubs	3.8	36.9
Total Spend on Estate	<u>3.8</u>	<u>86.9</u>
Disposal Proceeds	<u>57.6</u>	<u>62.4</u>



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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:

	<u>Rolling 4 Quarters</u> 53 weeks to 30 May 2009
	<u>£m</u>
EBITDA	155.2
Less: capex	(19.3)
Plus: interest received	2.0
Free cash flow	<u>137.9</u>
Actual debt service	74.6
Synthetic debt service	92.2
Debt service cover ratio (Default basis)	<u><u>1.85</u></u>
Debt service cover ratio (OpFlex basis)	<u><u>1.50</u></u>



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Interest Payments

	<u>Quarter 3</u> 12 weeks to 30 May 2009	<u>YTD 2008/09</u> 40 weeks to 30 May 2009
	<u>£m</u>	<u>£m</u>
Interest Payments		
A1	1.1	5.8
A2	1.9	9.1
A3	3.7	11.0
A4	5.7	17.2
A5	4.1	12.3
Swap costs	3.3	4.1
Other	1.8	3.4
	<u>21.6</u>	<u>62.9</u>



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PROFIT AND LOSS ACCOUNT	Quarter 3	YTD 2008/09
	12 weeks to	40 weeks to
	30 May 2009	30 May 2009
MANAGED DIVISION	£m	£m
Turnover		
Drink (net of discounts)	82.9	263.2
Food (net of discounts)	57.8	184.0
Machines	3.1	10.1
Other	3.5	12.0
Total Turnover	<u>147.3</u>	<u>469.3</u>
Gross margin	103.9	330.6
Pub costs	(62.6)	(211.5)
Rent payable	(6.8)	(23.1)
Outlet EBITDA	<u>34.5</u>	<u>96.0</u>
Managed overheads	(6.6)	(22.5)
Managed EBITDA	<u>27.9</u>	<u>73.5</u>
LEASED DIVISION		
Turnover		
Beer (net of discounts)	14.6	45.2
Rent	6.4	21.7
Machines	1.2	3.9
Other	3.0	9.1
Total Turnover	<u>25.2</u>	<u>79.9</u>
Gross Profit		
Beer	6.8	21.0
Rent	6.4	21.7
Machines	1.2	3.9
Other	1.1	3.4
Total Gross Profit	<u>15.5</u>	<u>50.0</u>
Leased costs (including overheads)	(2.9)	(10.0)
Leased EBITDA	<u>12.6</u>	<u>40.0</u>
Combined EBITDA	<u>40.5</u>	<u>113.5</u>
Administrative fee	(0.4)	(1.2)
Loss on disposal	(32.1)	(29.7)
Depreciation and amortisation – managed division	(10.6)	(35.6)
Depreciation and amortisation – leased division	(0.4)	(1.3)
Exceptional items ¹	69.3	67.6
Management recharge	-	3.1
Interest payable on debenture	(19.6)	(65.2)
Intercompany interest payable	(27.2)	(87.9)
Other interest receivable	0.3	3.2
Movement in the fair value of interest rate swaps	(3.0)	(68.0)
Profit / (Loss) Before Taxation	<u><u>16.8</u></u>	<u><u>(101.5)</u></u>

¹ Exceptional items relate to costs incurred on reorganisation of field and central support teams and profit arising on debt buy-back.



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AGGREGATED BALANCE SHEET

	As at 30 May 2009	As at 23 August 2008
	<u>£m</u>	<u>£m</u>
Tangible Fixed Assets	2,112.0	2,151.3
Stocks	6.1	7.6
Debtors	18.5	18.3
Cash	56.3	84.2
Creditors due within one year	(74.4)	(82.4)
Current assets less current liabilities	<u>6.5</u>	<u>27.7</u>
Total operating assets	2,118.5	2,179.0
Creditors due after more than one year	(11.8)	(11.7)
Securitised debt due after more than one year	(1,142.5)	(1,250.0)
Deferred tax	6.7	(15.6)
Provisions for liabilities and charges	(9.6)	(9.4)
Defined benefit pension scheme	(7.0)	12.7
Derivative financial instrument	(138.5)	(73.6)
Amounts due to group undertakings	(850.1)	(770.7)
	<u>(2,152.8)</u>	<u>(2,118.3)</u>
NET (LIABILITIES) / ASSETS	<u>(34.3)</u>	<u>60.7</u>
Capital and Reserves		
Share Capital	-	-
Revaluation Reserve	(0.9)	(1.4)
Capital Contribution	153.3	153.3
Other Reserves	(41.3)	(41.3)
Profit and Loss Reserves	(145.4)	(49.9)
SHAREHOLDERS' (DEFICIT) / FUNDS	<u>(34.3)</u>	<u>60.7</u>



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AGGREGATED CASH FLOW

	Quarter 3 12 weeks to 30 May 2009	YTD 2008/09 40 weeks to 30 May 2009
	£m	£m
Operating profit	29.1	75.4
Depreciation and amortisation	11.0	36.9
Increase in working capital	<u>(6.5)</u>	<u>(12.4)</u>
Net Cash Inflow from Operating Activities	33.6	99.9
Returns on Investment and Servicing of Finance		
Interest paid	(21.6)	(62.9)
Interest received	<u>-</u>	<u>1.0</u>
	(21.6)	(61.9)
Capital Expenditure and Financial Investment		
Payments to acquire new pubs	-	(50.0)
Investment spend on fixed assets	(3.8)	(36.9)
Receipt from sale of fixed assets	<u>57.6</u>	<u>62.4</u>
	53.8	(24.5)
Net Cash Inflow Before Financing	65.8	13.5
Financing		
Loans repaid	(41.3)	(41.3)
NET INCREASE / (DECREASE) IN CASH	<u>24.5</u>	<u>(27.8)</u>



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FINANCIAL RATIO COMPLIANCE CERTIFICATE

To: Security Trustee

- 1 We, Phil Dutton and Giles Thorley, each being a director of Punch Pub Company (Pubs) (formerly Spirit Managed Pubs Limited) and Punch Partnerships (Pubs) Limited (formerly 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 30 May 2009 was 1.85:1 (both with and without any Additional Properties);
 - (b) the Debt Service Cover Ratio (Opflex) for the period of four Financial Quarters ending on 30 May 2009 was 1.50:1;
 - (c) the Adjusted Debt Service Cover Ratio (Default) for the period of two Financial Quarters ending on 30 May 2009 was 1.55:1;
 - (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 8 March 2009 and ending on 30 May 2009 was 57.6% (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 - £31.4m Final - £33.6m Leased Borrower Average - £13.5m Final - £23.0m
CapEx Amounts expended	£7.6m for the quarter
Unspent CapEx amounts	£0.7m for the quarter
Number of Punch Taverns Mortgaged Properties disposed of or acquired	Disposals - 42 Acquisitions - nil
Number of Pubs in Portfolio	1,360
Disposal Proceeds Account balance	Managed Borrower £14.8m Leased Borrower £8.8m

- (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 620.
- 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 9.
- 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	£95.8m	£54.2m
Term A2 Loan	£127.7m	£72.3m
Term A3 Loan	£103.8m	£86.7m
Term A4 Loan	£208.5m	£115.6m
Term A5 Loan	£169.5m	£108.4m
LoanCo/Borrower Subordinated Loan	£182.3m	£367.7m



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FINANCIAL RATIO COMPLIANCE CERTIFICATE (continued)

- 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: 7 July 2009

Signed for and on behalf of
Punch Pub Company (Pubs) (formerly Spirit Managed Pubs Limited) and Punch Partnerships (Pubs) Limited (formerly Punch Taverns (Pubs) Limited)

.....
Finance Director

.....
Director