

4914782

Spirit Intermediate Holdings Limited

Report and Financial Statements

19 August 2006



Spirit Intermediate Holdings Limited
Period ended 19 August 2006

Registered No. 4914762

DIRECTORS

R McDonald	(appointed 5 January 2006)
N Preston	(appointed 5 January 2006)
G Thorley	(appointed 5 January 2006)
K Jones	(resigned 5 January 2006)
S Peel	(resigned 5 January 2006)
B Smith	(resigned 5 January 2006)

SECRETARY

T Kendall

AUDITORS

Ernst & Young LLP
1 Colmore Square
Birmingham
B4 6HQ

BANKERS

Barclays Bank PLC
15 Colmore Row
Birmingham
B3 2EP

SOLICITORS

Slaughter & May
One Bunhill Row
London
EC1Y 8YY

REGISTERED OFFICE

107 Station Street
Burton Upon Trent
Staffordshire
DE14 1BZ

Spirit Intermediate Holdings Limited

Period ended 19 August 2006

DIRECTORS' REPORT

The directors present their report and financial statements for the 52 week period ended 19 August 2006.

RESULTS AND DIVIDENDS

The loss for the period after taxation amounted to £32,792,000 (52 week period ended 20 August 2005: profit of £39,238,000). The directors do not propose payment of a dividend (2005: £nil).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity is that of an intermediate holding company.

On 5 January 2006 100% of the ordinary share capital of Spirit Group Holdings Limited, the ultimate parent of the group, was acquired by Punch Taverns (Redwood Bidco) Limited, a wholly owned subsidiary of Punch Taverns plc. As a result of this transaction the new ultimate parent is Punch Taverns plc. In connection with this transaction, the balance of the unsecured guaranteed loan notes (including accrued interest) was redeemed on 5 January 2006.

On 28 February 2006 the company received £150 million in cash in exchange for the allotment and issue of 15,000,000,000,000 ordinary shares of £0.00001 each to Spirit Group Holdings Limited. The company then subscribed for shares in its immediate subsidiary, Spirit Group Parent Limited, to the value of £150 million.

DIRECTORS AND THEIR INTERESTS

The directors of the company who served during the period are listed on page 1.

None of the directors had any declarable interest in the shares of the company at 19 August 2006 or 20 August 2005.

The interests of Directors who held office at 19 August 2006 in the shares of Punch Taverns plc are shown below:

	<i>At 19 August 2006</i>		<i>At date of appointment</i>	
	Ord Shares	Ord Share Options	Ord Shares	Ord Share Options
N Preston	3,147	11,305	2,955	24,046
R McDonald	69,654	46,101	57,889	203,067
G Thorley	154,439	1,892,111	154,247	3,392,111

A third party indemnity provision (as defined in section 309B(1) of the Companies Act 1985) is in force for the benefit of directors.

AUDIT INFORMATION

The directors confirm that, so far as they are aware, there is no relevant audit information of which the auditors are unaware and that each director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the company's auditors will be put to the forthcoming Annual General Meeting.

On behalf of the Board

R McDonald

Director

20 December 2006



Spirit Intermediate Holdings Limited
Period ended 19 August 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Spirit Intermediate Holdings Limited
Period ended 19 August 2006

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SPIRIT INTERMEDIATE HOLDINGS LIMITED

We have audited the company's financial statements for the period ended 19 August 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

In addition we report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 19 August 2006 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP
Ernst & Young LLP
Registered Auditor
Birmingham

20/12/2006

Spirit Intermediate Holdings Limited
Period ended 19 August 2006

PROFIT AND LOSS ACCOUNT

for the 52 week period ended 19 August 2006

	<i>Notes</i>	52 week period ended 19 August 2006 £000	52 week period ended 20 August 2005 £000
Administrative expenses		(122)	(144)
OPERATING LOSS	2	<u>(122)</u>	<u>(144)</u>
Income from shares in group undertakings		-	116,379
Interest receivable and similar income	4	288	1,617
Interest payable and similar charges	5	(34,318)	(98,202)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(34,152)</u>	<u>19,650</u>
Tax on (loss)/profit on ordinary activities	6	1,360	19,588
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	13	<u><u>(32,792)</u></u>	<u><u>39,238</u></u>

The results shown above relate to continuing activities.

There are no recognised gains and losses other than the reported result stated above.

Spirit Intermediate Holdings Limited
Period ended 19 August 2006

BALANCE SHEET
at 19 August 2006

	<i>Notes</i>	19 August 2006 £000	20 August 2005 £000
FIXED ASSETS			
Investments	7	364,167	214,167
CURRENT ASSETS			
Debtors: amounts falling due within one year	8	14,060	12,926
Debtors: amounts falling due after more than one year	8	11,671	11,534
Cash at bank and in hand		4,125	10,505
		<u>29,856</u>	<u>34,965</u>
CREDITORS: amounts falling due within one year	9	-	(272,295)
NET CURRENT ASSETS/(LIABILITIES)		<u>29,856</u>	<u>(237,330)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>394,023</u>	<u>(23,163)</u>
CREDITORS: amounts falling due after more than one year	10	(329,474)	(29,496)
NET ASSETS/(LIABILITIES)		<u>64,549</u>	<u>(52,659)</u>
CAPITAL AND RESERVES			
Called up share capital	12	150,000	-
Other reserves	13	1	1
Profit and loss account	13	(85,452)	(52,660)
EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)	13	<u>64,549</u>	<u>(52,659)</u>



R McDonald
Director
20 December 2006

Spirit Intermediate Holdings Limited

Period ended 19 August 2006

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 19 August 2006

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

In accordance with FRS 18 the directors have continued to review the accounting policies.

There have been no changes to accounting policies during the period.

Group financial statements

The company is exempt from preparing and delivering group financial statements under s228 of the Companies Act 1985. The financial statements present information about the company as an individual undertaking and not of the group as a whole.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Investments

Investments held as fixed assets are carried at cost less any provision for permanent diminution in value.

Spirit Intermediate Holdings Limited
Period ended 19 August 2006

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 19 August 2006

2. OPERATING LOSS

Auditor's remuneration is paid by another company within the Punch Taverns group.

3. DIRECTORS' EMOLUMENTS AND STAFF COSTS

The directors received no emoluments from the company in the current or preceding period. The company had no employees during the current or preceding period.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 £000	2005 £000
Bank interest receivable	<u>288</u>	<u>1,617</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £000	2005 £000
Other loans	18,856	85,040
Termination of financing arrangements	2,997	-
Interest payable to group undertakings	12,465	-
Deferred issue costs	<u>-</u>	<u>13,162</u>
	<u>34,318</u>	<u>98,202</u>

Spirit Intermediate Holdings Limited
Period ended 19 August 2006

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 19 August 2006

6. TAXATION

	2006	2005
	£000	£000
UK corporation tax:		
Current period credit	<u>1,360</u>	<u>19,588</u>

Reconciliation of tax charges

	2006	2005
	£000	£000
(Loss)/profit on ordinary activities before taxation	<u>(34,152)</u>	<u>19,650</u>
(Loss)/profit on ordinary activities at standard rate of corporation tax in the UK (30%)	(10,246)	5,895
<i>Effects of:</i>		
Current year losses carried forward	8,886	-
Tax losses not recognised	-	9,431
Dividends received	-	(34,914)
Current tax credit for the period	<u>(1,360)</u>	<u>(19,588)</u>

The unprovided deferred tax asset as at 19 August 2006 is £30,190,000 (August 2005: £21,304,000). This asset has not been recognised due to the uncertainty of future taxable profits.

Spirit Intermediate Holdings Limited

Period ended 19 August 2006

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 19 August 2006

7. INVESTMENTS

	Shares in subsidiary undertakings £000
Cost and net book value	
At 20 August 2005	214,167
Additions	150,000
At 19 August 2006	364,167

The additions relate to a further subscription for shares in its immediate subsidiary, Spirit Group Parent Ltd to the value of £150 million.

Details of the principal subsidiary undertakings are as follows:

<i>Name of company</i>	<i>Nature of business</i>
<i>Owned directly:</i>	
Spirit Group Parent Ltd	Holding company
<i>Owned by subsidiary undertakings:</i>	
Spirit Managed Holdings Ltd	Holding company
Spirit Group Ltd	Management and administrative company
Spirit Acquisitions Holdings Ltd	Holding company
Spirit Intermediate Holdings Ltd	Holding company
Spirit Group Equity Ltd	Holding company
Spirit Group Pension Trustee Ltd	Pension Trustees
Spirit Financial Holdings Ltd	Holding company
Spirit Managed Funding Ltd	Holding company
Spirit Managed Inns Ltd	Pub retailing
Spirit Pubs Holdings Ltd	Holding company
Spirit Pubs Parent Ltd	Holding company
Spirit Managed Pubs Ltd	Pub retailing
Spirit Supply Company Ltd	Supply company
Spirit Acquisition Properties Ltd	Holding company
Spirit Parent Ltd	Holding company
Spirit (Faith) Ltd (formerly Faith@Bar Room Bar Ltd)	Pub retailing
Spirit (AKE Holdings) Ltd	Holding company
Spirit (Lodges Holdings) Ltd	Holding company
Spirit Acquisition Guarantee Ltd	Holding company
Spirit Retail Bidco Ltd	Holding company
Spirit Group Retail (Pubs) No. 1 Ltd	Holding company
Cleveland Place Holdings Ltd	Holding company
CPH (R&L) No. 1 Ltd	Holding company
Narnain	Holding company
Dearg Ltd	Holding company
CPH Palladium Ltd	Holding company
Aspect Ventures Ltd	Property management
AVL (Pubs) No. 1 Ltd	Holding company
<i>Joint venture:</i>	
Allied Kunick Entertainments Ltd	Property management

Spirit Intermediate Holdings Limited

Period ended 19 August 2006

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 19 August 2006

The company owns 100% of the ordinary share capital, directly or indirectly, with the exception of the joint venture noted above which is 51% owned, and Spirit Acquisition Guarantee Ltd, which is a company limited by guarantee (over which Punch Taverns Group has control). All of the companies above are incorporated in England and Wales with the exception of Spirit Finco Ltd and Spirit Funding Ltd, which are incorporated in the Cayman Islands. Narnain is a private unlimited company.

In addition to the investments listed above, the company also maintains day-to-day control over Spirit Issuer Parent Ltd and its wholly owned subsidiary, Spirit Issuer plc, a Special Purpose Vehicle set up purely for the refinancing in the prior year.

In addition, the company continues to hold all the issued share capital of a number of non-trading subsidiaries, full details of which are filed in the Company's Annual Return.

8. DEBTORS: amounts falling due within one year

	2006 £000	2005 £000
Amounts owed by group undertakings	14,060	12,700
Other debtors	-	226
	<u>14,060</u>	<u>12,926</u>

DEBTORS: amounts falling due after more than one year

	2006 £000	2005 £000
Amounts owed by group undertakings	<u>11,671</u>	<u>11,534</u>

9. CREDITORS: amounts falling due within one year

	2006 £000	2005 £000
Loans (see note 11)	-	194,456
Accrued interest on loans (see note 11)	-	77,839
	<u>-</u>	<u>272,295</u>

Spirit Intermediate Holdings Limited
Period ended 19 August 2006

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 19 August 2006

10. CREDITORS: amounts falling due after more than one year

	2006 £000	2005 £000
Amounts owed to group undertakings	<u>329,474</u>	<u>29,496</u>

Included within amounts due in more than one year is a subordinated loan of £287,603,000 (2005: £nil) with another group company.

11. LOANS

	2006 £000	2005 £000
Unsecured subordinated guaranteed loan notes 2013:		
Zero coupon loan notes	-	197,454
Interest accrued	-	<u>77,839</u>
	-	275,293
Less: deferred issue costs	-	<u>(2,998)</u>
	-	<u>272,295</u>

The notes in issue in the prior year were all zero coupon notes issued at a discount. Interest was calculated on the principal amount at the rate of 20% per annum (up to but excluding the maturity date) accruing daily on the basis of a 365 day year (compounded annually on 3 November) for the period from and including the issue date up until redemption. A redemption premium fell due on the issue amount plus accrued interest of 1% if the notes were redeemed between the third and fourth anniversary of the issue date of the notes, 2% if redeemed between the fourth and fifth anniversaries, 5% between the fifth and sixth anniversaries and 9% after the sixth anniversary. The final maturity date of the notes was 3 November 2013.

During the year, on acquisition of the Spirit group of companies by Punch Taverns plc, the remaining principal and accrued interest were redeemed in full.

12. SHARE CAPITAL

	2006 No.(000)	2006 £000	2005 No.(000)	2005 £000
<i>Authorised</i>				
Ordinary shares of £0.00001 each	<u>15,000,000,400</u>	<u>150,000</u>	<u>400</u>	<u>-</u>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £0.00001 each	<u>15,000,000,400</u>	<u>150,000</u>	<u>400</u>	<u>-</u>

On 28 February 2006 the authorised share capital was increased to 15,000,000,400,000 ordinary shares. In addition, 15,000,000,000,000 shares were allotted and fully paid on that same day.

Spirit Intermediate Holdings Limited

Period ended 19 August 2006

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 19 August 2006

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £000	Other reserves £000	Profit & loss account £000	Total share- holders' funds £000
At 21 August 2004	-	1	(91,898)	(91,897)
Profit for the period	-	-	39,238	39,238
At 20 August 2005	-	1	(52,660)	(52,659)
Shares Issued	150,000	-	-	150,000
Loss for the period	-	-	(32,792)	(32,792)
At 19 August 2006	150,000	1	(85,452)	64,549

14. CASH FLOW STATEMENT

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent company (Punch Taverns plc) publishes consolidated financial statements.

15. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption in paragraph 3(c) of FRS 8 from disclosing transactions with related parties that are part of the Punch Taverns plc Group or investees of the group. There were no other related party transactions during the period.

16. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking and controlling party is Punch Taverns plc, a company registered in England & Wales.

The parent undertaking of the only group of undertakings for which group financial statements are drawn up and of which the company is a member is Punch Taverns plc.

Copies of the financial statements of Punch Taverns plc are available from Jubilee House, Second Avenue, Burton upon Trent, Staffordshire, DE14 2WF.