

Company Registration No. 4914737 (England and Wales)

**SPIRIT ACQUISITIONS HOLDINGS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 20 AUGUST 2005**



# SPIRIT ACQUISITIONS HOLDINGS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	R McDonald	(Appointed 5 January 2006)
	N Preston	(Appointed 5 January 2006)
	G Thorley	(Appointed 5 January 2006)
<b>Secretary</b>	S Rudd	(Appointed 31 March 2006)
	D Walmsley	(Resigned 31 March 2006)
<b>Company number</b>	4914737	
<b>Registered office</b>	107 Station Street Burton on Trent Staffordshire DE14 1BZ	
<b>Auditors</b>	Ernst & Young LLP No. One Colmore Square Birmingham B4 6HQ	
<b>Bankers</b>	Barclays Bank plc 15 Colmore Row Birmingham B3 2EP	
<b>Solicitors</b>	Slaughter and May One Bunhill Row London EC1Y 8YY	

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# SPIRIT ACQUISITIONS HOLDINGS LIMITED

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# **SPIRIT ACQUISITIONS HOLDINGS LIMITED**

## **DIRECTORS' REPORT FOR THE PERIOD ENDED 20 AUGUST 2005**

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The directors present their report and financial statements for the 52 week period ended 20 August 2005.

### **Principal activities and review of the business**

The principal activity of the company is that of a holding company.

On 25 November 2004, the Spirit Group Holdings Limited group of companies completed an intra-group reorganisation and £2.2 billion refinancing. To effect the refinancing, new financing arrangements were entered into comprising the issue of £1.25 billion Floating and Fixed/Floating Secured Debenture Bonds by Spirit Issuer plc, secured against a portfolio of 1,080 freehold and long leasehold pubs in the Spirit Group estate and secured bank loans of £950 million drawn into elsewhere within the Spirit Group, secured against a portfolio of 951 freehold, long and short leasehold pubs. The balance outstanding on the bank debt was repaid on 25 November 2004 and the Floating Rate Secured Notes issued in April 2002 and August 2003 pursuant to the Spirit Funding securitisation were called on 26 November 2004 and redeemed at par on 29 December 2004. There was no direct impact on Spirit Acquisitions Holdings Limited.

### **Results and dividends**

The results for the period are set out on page 5.

The company made a profit after tax of £9,327,000 in the period (47 week period ended 21 August 2004 loss after tax of £23,372,000). The directors do not propose the payment of a dividend.

### **Future developments**

There are no significant future developments, other than those mentioned in the post balance sheet events as described below.

### **Post balance sheet events**

On 5 January 2006, 100% of the ordinary share capital of Spirit Group Holdings Limited, the company's ultimate controlling party, 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.

### **Directors**

The following directors have held office since 22 August 2004:

K Jones	(Resigned 5 January 2006)
S Peel	(Resigned 5 January 2006)
C Riklin	(Resigned 10 January 2005)
R McDonald	(Appointed 5 January 2006)
N Preston	(Appointed 5 January 2006)
G Thorley	(Appointed 5 January 2006)

### **Directors' interests**

None of the directors in service at the year end had any declarable interest in the shares of the company.

K Jones and S Peel were also directors of the ultimate parent undertaking, Spirit Group Holdings Limited at the period end. Any interests of these directors are disclosed in the Spirit Group Holdings Limited financial statements for the 52 week period ended 20 August 2005.

# **SPIRIT ACQUISITIONS HOLDINGS LIMITED**

## **DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 20 AUGUST 2005**

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### **Political and charitable donations**

The company made no political or charitable donations during the current or previous period.

### **Auditors**

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Ernst & Young LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

### **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year 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;
- 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 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.

### **Qualifying 3rd party indemnity provisions**

The company has indemnified one or more directors of the company in respect of proceedings brought by third parties subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision was in force during the period and is in force as at the date of approving the directors' report.

On behalf of the board



R McDonald

**Director**

5 May 2006

# **SPIRIT ACQUISITIONS HOLDINGS LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPIRIT ACQUISITIONS HOLDINGS LIMITED**

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We have audited the financial statements of Spirit Acquisitions Holdings Limited for the period ended 20 August 2005, which comprise Profit and Loss Account, Balance Sheet and related notes 1 to 17. These financial statements have been prepared on the basis of 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 auditor's 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 the directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom Auditing Standards 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 judgements 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.

## **SPIRIT ACQUISITIONS HOLDINGS LIMITED**

### **INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF SPIRIT ACQUISITIONS HOLDINGS LIMITED**

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#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the affairs of the company as at 20 August 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young LLP

5 May 2006

**Registered Auditor**

No. One Colmore Square  
Birmingham  
B4 6HQ

# **SPIRIT ACQUISITIONS HOLDINGS LIMITED**

## **PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 20 AUGUST 2005**

		52 week period ended 20 August 2005			47 week period ended 21 August 2004		
	Notes	Total £000's	Exceptional items (note 2) £000's	Before exceptional items £000's	Total £000's	Exceptional items (note 2) £000's	Before exceptional items £000's
Operating costs		(911)	-	(911)	(11,415)	-	(11,415)
<b>Operating loss</b>	<b>4</b>	(911)	-	(911)	(11,415)	-	(11,415)
Profit/(loss) on disposal of fixed asset investments	<b>2</b>	10,238	10,238	-	(11,957)	(11,957)	-
Other interest receivable and similar income	<b>3</b>	-	-	-	130,547	-	130,547
Interest payable and similar charges	<b>5</b>	-	-	-	(130,547)	-	(130,547)
<b>Profit/(loss) on ordinary activities before taxation</b>		9,327	10,238	(911)	(23,372)	(11,957)	(11,415)
Tax on profit/(loss) on ordinary activities	<b>6</b>	-	-	-	-	-	-
<b>Profit/(loss) on ordinary activities after taxation</b>	<b>12</b>	9,327	10,238	(911)	(23,372)	(11,957)	(11,415)

### **Statement of total recognised gains and losses**

There are no recognised gains and losses other than those passing through the profit and loss account.



# **SPIRIT ACQUISITIONS HOLDINGS LIMITED**

## **BALANCE SHEET** **AS AT 20 AUGUST 2005**

	Notes	2005 £000's	2004 £000's
<b>Fixed assets</b>			
Investments	7	-	-
<b>Current assets</b>			
Debtors	8	66,068	1,705,267
Creditors: amounts falling due within one year	9	(2,923)	(1,714,025)
<b>Total assets less current liabilities</b>		63,145	(8,758)
Creditors: amounts falling due after more than one year	10	(77,190)	(14,614)
<b>Net liabilities</b>		(14,045)	(23,372)
<b>Capital and reserves</b>			
Called up share capital	11	-	-
Profit and loss account	12	(14,045)	(23,372)
<b>Shareholders' deficit - equity interests</b>	13	(14,045)	(23,372)

The financial statements were approved by the Board on 5 May 2006



R McDonald  
Director

# **SPIRIT ACQUISITIONS HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 20 AUGUST 2005**

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### **1 Accounting policies**

#### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention.

The company has reported a profit in the period of £9,327,000 (2004 loss: £23,372,000). At 20 August 2005, the company had net liabilities of £14,045,000. The financial statements have been prepared on a going concern basis, which assumes that the company will continue in existence for the foreseeable future. As Punch Taverns (PGE) Limited, a wholly owned subsidiary of Punch Taverns plc, on the instructions of Punch Taverns plc, has pledged its financial support to the Spirit Group as required to meet the obligations in respect of external creditors as they fall due, the directors' view is that it is appropriate to prepare these financial statements on the going concern basis.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

#### **1.2 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable accounting standards, which have been applied consistently (except as otherwise stated).

#### **1.3 Investments**

Fixed asset investments are stated at cost, less provision for impairment in value.

#### **1.4 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 by the balance sheet date.

# SPIRIT ACQUISITIONS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 20 AUGUST 2005

### 1 Accounting policies

(continued)

#### 1.5 Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more tax, with the following exceptions:

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.

For fixed assets that were transferred in from other group companies at a revalued amount, 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.

Deferred tax is measured on an undiscounted basis at the 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.

#### 1.6 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Spirit Group Holdings Limited, a company incorporated in the EU, and is included in the consolidated accounts of that company.

### 2 Exceptional items

Exceptional items include the profit on the disposal of the company's investment in subsidiaries of £10,238,000 (2004: loss on disposal of £11,957,000), as disclosed in the investments note.

### 3 Interest receivable

	2005 £000's	2004 £000's
Interest receivable from group undertakings	-	130,547

# **SPIRIT ACQUISITIONS HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE PERIOD ENDED 20 AUGUST 2005**

<b>4</b>	<b>Operating loss</b>	<b>2005</b>	<b>2004</b>
		<b>£000's</b>	<b>£000's</b>

The operating loss for the period includes:

Operating costs	911	-
Write down of investment in Spirit Intermediate Acquisitions Limited	-	11,415
	<u>          </u>	<u>          </u>

Auditors' remuneration was borne by other group companies.

<b>5</b>	<b>Interest payable</b>	<b>2005</b>	<b>2004</b>
		<b>£000's</b>	<b>£000's</b>

Interest payable to group undertakings	-	130,547
	<u>          </u>	<u>          </u>

<b>6</b>	<b>Taxation</b>	<b>2005</b>	<b>2004</b>
		<b>£000's</b>	<b>£000's</b>

<b>Current tax charge</b>	-	-
	<u>          </u>	<u>          </u>

**Factors affecting the tax charge for the period**

Profit/(loss) on ordinary activities before taxation	9,327	(23,372)
	<u>          </u>	<u>          </u>

Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 30.00%)	2,798	(7,012)
	<u>          </u>	<u>          </u>

Effects of:

(Profit)/loss on disposal of fixed asset investments	(2,901)	3,588
Non-deductible expenses	103	-
Write down of investment in subsidiaries	-	3,424
	<u>          </u>	<u>          </u>
	(2,798)	7,012
	<u>          </u>	<u>          </u>

<b>Current tax charge</b>	-	-
	<u>          </u>	<u>          </u>

There is no unprovided or provided amounts of deferred tax as at 20 August 2005 and 22 August 2004.

# **SPIRIT ACQUISITIONS HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE PERIOD ENDED 20 AUGUST 2005**

### **7 Fixed asset investments**

	Shares in subsidiary undertakings £
<b>Cost</b>	
At 21 August 2004	74
Disposals	(74)
	<hr/>
At 20 August 2005	-
	<hr/>
<b>Net book value</b>	
At 20 August 2005	-
	<hr/>
At 21 August 2004	74
	<hr/>

On 15 October 2004, the company disposed of its 74% holding in the ordinary share capital (£74) of Spirit Intermediate Star Limited and its subsidiaries for consideration of £10,237,926. This occurred as a result of a sale and leaseback transaction in respect of 65 licenced properties.

<b>8 Debtors</b>	<b>2005 £000's</b>	<b>2004 £000's</b>
Amounts owed by group undertakings	66,068	1,705,267
	<hr/>	<hr/>
<b>9 Creditors: amounts falling due within one year</b>	<b>2005 £000's</b>	<b>2004 £000's</b>
Amounts owed to group undertakings	-	1,714,025
Other creditors	2,923	-
	<hr/>	<hr/>
	2,923	1,714,025
	<hr/>	<hr/>

# **SPIRIT ACQUISITIONS HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE PERIOD ENDED 20 AUGUST 2005**

<b>10 Creditors: amounts falling due after more than one year</b>	<b>2005 £000's</b>	<b>2004 £000's</b>
Amounts owed to group undertakings	77,190	14,614

<b>11 Share capital</b>	<b>2005 No.</b>	<b>2005 £</b>	<b>2004 No.</b>	<b>2004 £</b>
<b>Authorised</b>				
Ordinary shares of £1 each	100	100	100	100
<b>Allotted, called up and fully paid</b>				
Ordinary shares of £1 each	4	4	4	4

<b>12 Statement of movements in shareholders' funds and movements in reserves</b>	<b>Share capital £000's</b>	<b>Profit and loss account £000's</b>	<b>Total £000's</b>
Shares issued on incorporation	-	-	-
Retained loss for the period ended 21 August 2004	-	(23,372)	(23,372)
Balance at 21 August 2004	-	(23,372)	(23,372)
Retained profit for the period ended 20 August 2005	-	9,327	9,327
Balance at 20 August 2005	-	(14,045)	(14,045)

<b>13 Reconciliation of movements in shareholders' funds</b>	<b>2005 £000's</b>	<b>2004 £000's</b>
Profit/(Loss) for the financial period	9,327	(23,372)
Opening shareholders' deficit	(23,372)	-
Closing shareholders' deficit	(14,045)	(23,372)

# **SPIRIT ACQUISITIONS HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 20 AUGUST 2005**

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### **14 Directors' emoluments**

Directors' emoluments have been borne by a group company within the Spirit Group Holdings Limited group of companies. The directors of the company are also directors or officers of a number of the companies within the Spirit Group. The directors' services to the company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company for the period ended 20 August 2005 and 21 August 2004.

### **15 Employees**

There were no employees during the period apart from the directors (2004: nil).

### **16 Control**

The parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the company was a member as at 20 August 2005 is Spirit Group Holdings Limited which is registered in England and Wales.

On 5 January 2006, 100% of the ordinary share capital of Spirit Group Holdings Limited, the company's ultimate controlling party, 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.

Copies of the financial statements of Spirit Group Holdings Limited are available from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

### **17 Related party transactions**

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.