

HYBRID FINANCING STRUCTURE ENABLES REFINANCING OF PUBS ENTERPRISE



As part of one of the first whole company securitization transactions ever completed, the management of Spirit Group was well-versed in the benefits innovative financing can bring. Since that early deal in 2000, reorganizations and new acquisitions have added additional complexity to Spirit's financial structure and balance sheet. Early in 2004, the group decided to embark on an ambitious issuance plan that would refinance the bridge financing for its 2003 acquisition of Scottish & Newcastle pubs as well as a spin-off from the original whole company securitisation completed four years ago. The new financing incorporated securitisation techniques, yet utilized a novel structure to achieve flexibility combined with more traditional permanent debt capital. With such a large potential transaction, Spirit sought to strengthen a major portion of the deal with triple-A financial guarantee insurance. Ambac Assurance, with extensive experience in whole company securitisations and the pub industry sector, was asked to wrap more than half the deal.

The transaction was split into fixed-rate and floating rate tranches, with financial guarantee insurance supporting both fixed and floating rate notes. After becoming comfortable with the credit, Ambac worked with the team to create a structure that would give Spirit operational flexibility with fewer restrictive covenants than in a traditional financing. Although this was the largest triple-B-rated hybrid to be issued in the Sterling market, a well-executed marketing effort by the company and the lead managers, together with Ambac's guarantee, resulted in strong demand for the deal from a broad investor base. All tranches, wrapped and unwrapped, priced tightly and the innovative financing closed on November 25, 2004.

For additional information please contact:

Miguel Sanchez, Director, +44 020 7786 4304, msanchez@ambac-uk.com

Ian Berry, Assistant Vice President, +44 020 7786 4342, iberry@ambac-uk.com

This report has been prepared by Ambac Assurance Corporation and its affiliate, Ambac Assurance UK Limited (together "Ambac"). It is distributed outside the United States and solely to assist issuers and their underwriters and financial advisors in gaining a better understanding of Ambac's expertise as a financial services group. This report may not be circulated in the United States or to any U.S. person. The products offered by Ambac and described herein have not been and will not be registered under the U.S. Securities Act. The relevant contents of this report have been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by Ambac Assurance UK Limited of 60 Bishopsgate, London EC2N 4BE. Ambac Assurance UK Limited is authorised and regulated by the Financial Services Authority.

This report was written by personnel of Ambac, based on information available and believed to be accurate and complete as of November 25, 2004 the date the report was issued (the "Issuance Date"), which information was obtained from sources believed to be reliable. However, because of the possibility of error and the occurrence of subsequent events, Ambac does not guarantee the accuracy or completeness of this report as of the Issuance Date or its continued accuracy as of any date subsequent thereto. This report is distributed for information purposes only and nothing contained herein should be viewed as investment advice or as constituting a recommendation to buy, hold or sell the obligations described herein. Ambac has insured the bond and interest rate swap intermediation agreement described above and has received fees for the issue of financial guarantee insurance policies and interest rate swap intermediation agreements covering such obligations. In addition, Ambac may from time to time provide other investment or financial products or other services for, or solicit other business from, or invest in securities of, the issuer of the obligations described in this report. Goldman Sachs was the underwriter on the deal.