

MARSTON'S ACQUISITIONS LIMITED

ANNUAL REPORT

For the 53 weeks ended 4 October 2008

Registered Number 24795

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MARSTON'S ACQUISITIONS LIMITED

ANNUAL REPORT

53 weeks ended 4 October 2008

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MARSTON'S ACQUISITIONS LIMITED

DIRECTORS' REPORT

The Directors submit their report and the audited financial statements of the Company for the 53 weeks ended 4 October 2008 (2007: 52 weeks ended 29 September 2007).

Principal activity, review of business and future developments

The principal activity of the Company is the acquisition of companies on behalf of the Marston's PLC group.

A discounted convertible loan note was issued by Marston's Estates Limited on 27 May 2006, in exchange for the disposal of the Company's business. The loan note converted into a mixture of preference shares and new debt on 29 September 2007 when certain conditions relating to 12 month LIBOR borrowing rates were met. Interest is receivable on the new loan note at LIBOR plus a margin. An annual dividend is receivable on the preference shares, calculated with reference to prevailing LIBOR rates.

The Company made a profit after taxation of £7.0m (2007: £0.2m).

No changes are anticipated in the nature of the business in the foreseeable future.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are integrated with the principal risks of the Marston's Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group which include those of the Company are discussed within the Business Review of the Marston's PLC Annual Report which does not form part of this report.

Further, the key performance indicators (KPIs), and financial risk management of the Company are integrated with that of the Marston's Group and are not assessed separately. An analysis of the KPIs of the Group, which include those of the Company, together with the Group's financial risk exposure, and the management objectives and policies thereon, is presented within the Business Review of the Marston's PLC Annual Report.

Dividends

The Directors do not recommend the payment of a dividend in respect of the current period (2007: £nil).

Directors

The Directors who held office during the period, and up to the date of this report, were as follows:

D Andrew
R Findlay
P Inglett
S J Oliver
A Darby

MARSTON'S ACQUISITIONS LIMITED

DIRECTORS' REPORT (continued)

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent;
- State whether applicable UK 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, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that 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.

Auditors and disclosure of information to auditors

In the case of each of the persons who are Directors at the time when the report is approved, the following applies:

- a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

PricewaterhouseCoopers LLP has indicated its willingness to continue in office and a resolution proposing its reappointment will be put to the Annual General Meeting.

Approved by the Board on 5 December 2008 and signed on its behalf by



Anne-Marie Brennan
Company secretary
5 December 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARSTON'S ACQUISITIONS LIMITED

We have audited the financial statements of Marston's Acquisitions Limited for the 53 weeks ended 4 October 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom 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). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

In addition we 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 4 October 2008 and of its profit for the 53 weeks 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
5 December 2008

MARSTON'S ACQUISITIONS LIMITED

PROFIT AND LOSS ACCOUNT

For the 53 weeks ended 4 October 2008

	Notes	53 weeks ended 4 October 2008 £m	52 weeks ended 29 September 2007 £m
Operating profit		-	-
Interest receivable and similar income	3	7.2	0.3
Profit on ordinary activities before taxation		<u>7.2</u>	<u>0.3</u>
Taxation charge on profit on ordinary activities	4	(0.2)	(0.1)
Profit for the period	11	<u>7.0</u>	<u>0.2</u>

All results relate to continuing operations.

There is no difference between the profit shown above and the profit for the period stated on an unmodified historical cost basis.

There are no recognised gains and losses other than those presented in the profit and loss account.

MARSTON'S ACQUISITIONS LIMITED

BALANCE SHEET As at 4 October 2008

	Notes	4 October 2008 £m	29 September 2007 £m
Fixed assets			
Intangible assets	5	-	-
Investments	6	168.8	180.8
Current assets			
Debtors – due within one year	7	36.8	2.6
– due after more than one year	7	7.1	7.1
		43.9	9.7
Creditors (amounts falling due within one year)	8	(56.8)	(24.0)
Net current liabilities		(12.9)	(14.3)
Total assets less current liabilities		155.9	166.5
Creditors (amounts falling due after more than one year)	9	(102.3)	(119.9)
Net assets		53.6	46.6
Capital and reserves			
Called up share capital	10	2.7	2.7
Share premium account	11	5.8	5.8
Other reserves	11	7.9	7.9
Profit and loss account	11	37.2	30.2
Total shareholders' funds	12	53.6	46.6

The financial statements on pages 5 to 12 were approved by the Board on 5 December 2008 and were signed on its behalf by:



Paul Inglett
Director
5 December 2008

MARSTON'S ACQUISITIONS LIMITED

NOTES

1 Accounting Policies

(a) Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

Accounting policies applied are consistent with the prior period.

The financial statements contain information about Marston's Acquisitions Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Marston's PLC, a company registered in England and Wales.

(b) Going concern

The Company's ultimate parent undertaking, Marston's PLC, has stated its intention to provide financial support to the Company to enable it to meet its liabilities as and when they fall due. Consequently the Directors have adopted the going concern basis of preparation for the financial statements.

(c) Cash flow statement and related party disclosures

The Company is a wholly-owned subsidiary of Marston's PLC and is included in the consolidated financial statements of that company, which are publicly available. Consequently, Marston's Acquisitions Limited has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised). The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Marston's PLC Group.

(d) Goodwill

Goodwill held on the balance sheet related to the acquisition of Café Inns PLC in 1999 and the subsequent hive-up of the Café Inns business into Marston's Acquisitions Limited. Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is capitalised and amortised through the profit and loss account on a straight-line basis over its useful economic life up to a presumed maximum of 20 years. The Directors consider the carrying value of the goodwill and make appropriate adjustments to reflect the disposal of certain assets to which it relates. Where goodwill is impaired, the charge is taken to the profit and loss account.

(e) Investments

Investments are stated at cost, less any provision for permanent diminution in value.

(f) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date which give rise to an obligation to pay more or less tax in the future. Timing differences are differences between the Company's taxable profits and profits as stated in the accounts. Deferred tax assets and liabilities are not discounted and assets are only recognised where recoverability is probable.

MARSTON'S ACQUISITIONS LIMITED

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1 Accounting policies (continued)

(g) Discounted convertible loan note

The Company held a discounted convertible loan note, which it received in exchange for the disposal of its business. The loan note carried an annual interest coupon of 4.90% of face value receivable annually beginning on the third anniversary of the issue date. No interest was receivable in respect of the first two years. Where qualifying consideration was expected to arise, the interest receivable recorded in the profit and loss account for each financial period was calculated by spreading the total interest receivable over the life of the loan note. Where qualifying consideration was not expected to arise, interest receivable was recorded in the profit and loss account on the basis of cash received. The loan note converted into a mixture of preference shares and new debt on 29 September 2007 when certain conditions relating to 12 month LIBOR borrowing rates were met.

2 Employees and auditors' remuneration

The average monthly number of people employed by the Company during the period excluding Directors was nil (2007: nil). The Directors received no remuneration in respect of their services to the Company (2007: £nil).

Auditors' remuneration is borne by the ultimate parent company, Marston's PLC. The Company incurred no non-audit fees during the period (2007: £nil).

3 Interest receivable and similar income

	53 weeks ended 4 October 2008 £m	52 weeks ended 29 September 2007 £m
Other loan interest receivable	0.5	-
Dividends on preference shares held in Marston's Estates Limited	6.7	-
Financing income	-	0.3
	7.2	0.3

MARSTON'S ACQUISITIONS LIMITED

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4 Taxation

	53 weeks ended 4 October 2008 £m	52 weeks ended 29 September 2007 £m
Current tax: Corporation tax on profit for the period	0.2	0.1
Deferred tax	-	-
Taxation charge on profit on ordinary activities	0.2	0.1

The tax assessed on the profit on ordinary activities for the period is lower than (2007: the same as) the standard rate of Corporation tax of 29% (2007: 30%). The differences are explained below:

	53 weeks ended 4 October 2008 £m	52 weeks ended 29 September 2007 £m
Profit on ordinary activities before tax	7.2	0.3
Profit before tax multiplied by the Corporation tax rate of 29% (2007: 30%)	2.1	0.1
Effect of:		
UK dividend income	(1.9)	-
Current period taxation charge	0.2	0.1

The standard rate of Corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the Company's profits for the accounting period are taxed at an effective rate of 29% and will be taxed at 28% in the future.

There was no deferred tax balance either recognised or unrecognised at the current or prior period end.

No factors have been identified that may affect future tax charges.

5 Intangible fixed assets

	Goodwill £m
Cost	
At 29 September 2007 and 4 October 2008	2.2
Amortisation	
At 29 September 2007 and 4 October 2008	2.2
Net book value	
At 29 September 2007 and 4 October 2008	-

MARSTON'S ACQUISITIONS LIMITED

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6 Investments

	Preference shares £m	Subsidiary undertakings £m	Total £m
Cost and net book value			
At 30 September 2007	60.2	120.6	180.8
Additions	-	13.6	13.6
Transfers to Group undertakings	-	(25.6)	(25.6)
At 4 October 2008	60.2	108.6	168.8

On conversion of the discounted convertible loan note (note 7) on 29 September 2007 the Company received 71,136,784 irredeemable preference shares with a nominal value of £0.01 each, issued by Marston's Estates Limited. The value of the preference shares received was £60.2m.

An annual dividend is receivable on these preference shares, calculated with reference to prevailing LIBOR rates.

Additions to subsidiary undertakings in the period relate to the acquisition of Ryland Thompson Limited (£13.6m). Transfers to Group undertakings relate to ordinary shares and preference shares in EP Investments 2004 Limited now held by SDA Limited.

The principal subsidiary undertakings at 4 October 2008 were:

	Country of incorporation	Nature of business	% held	Class of share
The Gray Ox Limited	England	Non-trading	100	Ordinary £1 shares
Sovereign Inns Limited	England	Non-trading	100	Ordinary £1 shares
Nouveaustar Limited	England	Holding company	100	Ordinary £1 shares
SDA Limited	England	Holding company	100	Ordinary £1 shares
Q P Bars Limited	England	Non-trading	100	Ordinary £1 shares
Fairdeed Limited	England	Non-trading	100	Ordinary £1 shares
EP Investments 2004 Limited	England	Holding company	100	'A' Ordinary 5p shares 'B' Ordinary 1p shares 'C' Ordinary 1p shares
Eldridge, Pope & Co., Limited	England	Non-trading	100	Ordinary 50p shares
Bluu Limited	England	Non-trading	100	Ordinary £1 shares
Ringwood Brewery Limited	England	Pub retailer and brewer	100	Ordinary £1 shares
Ryland Thompson Limited	England	Holding company	100	'A' Ordinary 1p shares 'B' Ordinary 1p shares
Refresh Group Limited	England	Holding company	100	Ordinary 1p shares
Refresh UK PLC	England	Brewer	100	Ordinary 10p shares

The Company has a number of other wholly-owned subsidiary undertakings, all of which are registered in England. A complete list of subsidiary undertakings is available at the Company's registered office.

Prior to 25 November 2007 the principal activity of Eldridge, Pope & Co., Limited was the ownership and management of public house premises.

SDA Limited is a wholly owned subsidiary of Nouveaustar Limited. Q P Bars Limited, Fairdeed Limited and EP Investments 2004 Limited are wholly owned subsidiaries of SDA Limited. Eldridge, Pope & Co., Limited is a wholly owned subsidiary of EP Investments 2004 Limited.

Refresh Group Limited is a wholly owned subsidiary of Ryland Thompson Limited. Refresh UK PLC is a wholly owned subsidiary of Refresh Group Limited.

MARSTON'S ACQUISITIONS LIMITED

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7 Debtors

Amounts due within one year

	4 October 2008 £m	29 September 2007 £m
Amounts owed by Group undertakings	29.6	2.6
Other debtors	7.2	-
	36.8	2.6

Amounts due after more than one year

	4 October 2008 £m	29 September 2007 £m
Loan note – owed by Group undertaking	7.1	7.1

A discounted convertible loan note was issued by Marston's Estates Limited on 27 May 2006 in exchange for the disposal of the Company's business. The loan note carried an annual interest coupon of 4.90% of the face value.

The loan note was converted into a mixture of preference shares (note 6) and new debt on 29 September 2007 when certain conditions relating to 12 month LIBOR borrowing rates were met. Interest is receivable on the new loan note at LIBOR plus a margin.

The new loan note expires on 17 July 2036. The obligations of Marston's Estates Limited are guaranteed by Marston's PLC.

Other debtors comprise interest due on the loan and dividends due on the preference shares.

8 Creditors (amounts falling due within one year)

	4 October 2008 £m	29 September 2007 £m
Corporation tax	0.2	0.1
Amounts owed to Group undertakings	51.0	23.9
Other creditors	5.6	-
	56.8	24.0

Amounts owed to Group undertakings are unsecured, repayable on demand and non-interest bearing.

Other creditors represent deferred consideration in respect of the acquisition of Ryland Thompson Limited (note 6). This was paid on 6 October 2008.

9 Creditors (amounts falling due after more than one year)

	4 October 2008 £m	29 September 2007 £m
Preference shares	0.1	0.1
Amounts owed to Group undertakings	102.2	119.8
	102.3	119.9

The preference shares carry a right to a fixed preferential dividend and participate in the event of a winding-up.

Amounts owed to Group undertakings are unsecured, have no fixed repayment terms and are non-interest bearing.

MARSTON'S ACQUISITIONS LIMITED

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10 Called up share capital

	4 October 2008 £m	29 September 2007 £m
Authorised		
15,800,000 ordinary shares of 25p	4.0	4.0
Allotted, issued and fully paid		
10,851,615 ordinary shares of 25p each	2.7	2.7

11 Reserves

	Share premium account £m	Other reserves £m	Profit and loss account £m
At 30 September 2007	5.8	7.9	30.2
Profit for the financial period	-	-	7.0
At 4 October 2008	5.8	7.9	37.2

12 Reconciliation of movement in shareholders' funds

	53 weeks ended 4 October 2008 £m	52 weeks ended 29 September 2007 £m
Profit for the financial period	7.0	0.2
Opening shareholders' funds	46.6	46.4
Closing shareholders' funds	53.6	46.6

13 Ultimate parent undertaking

The Company's immediate and ultimate parent undertaking and controlling party is Marston's PLC, which is the parent undertaking of the smallest and largest group to consolidate the financial statements of Marston's Acquisitions Limited. Copies of the Group financial statements can be obtained from the Company Secretary, Marston's House, Brewery Road, Wolverhampton, WV1 4JT.