

MARSTON'S TRADING LIMITED
(FORMERLY WOLVERHAMPTON & DUDLEY BREWERIES (TRADING) LIMITED)

ANNUAL REPORT

For the 52 weeks ended 29 September 2007

Registered Number 40590

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MARSTON'S TRADING LIMITED
(formerly Wolverhampton & Dudley Breweries (Trading) Limited)

ANNUAL REPORT

Period ended 29 September 2007

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MARSTON'S TRADING LIMITED
(formerly Wolverhampton & Dudley Breweries (Trading) Limited)

DIRECTORS' REPORT

The Directors submit their report and the audited financial statements of the Company for the 52 weeks ended 29 September 2007 (2006 52 weeks ended 30 September 2006)

Principal activities

The Company's principal activities are operating managed, tenanted and leased public houses, brewing beer and wholesaling beers, wines and spirits

Review of business

The Company made a profit after taxation of £2.6m (2006 £20.8m)

Throughout the year, the Company has continued to pursue its objectives of developing and operating good quality community pubs and to market and sell high quality ale brands

On 8 January 2007 the name of the Company was changed to Marston's Trading Limited (formerly Wolverhampton & Dudley Breweries (Trading) Limited). On the same date the name of the parent company changed to Marston's PLC (formerly The Wolverhampton & Dudley Breweries, PLC)

Performance

The Directors of the Marston's PLC (formerly The Wolverhampton & Dudley Breweries, PLC) Group manage the Group's operations on a divisional, rather than statutory entity basis. The development, performance and position of the Group which includes the Company are discussed within the Business Review of the Group Annual Report which does not form part of this report.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are integrated with the principal risks of the Marston's PLC (formerly The Wolverhampton & Dudley Breweries, PLC) 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 Group Annual Report which does not form part of this report.

Future developments

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

Dividends

The Directors do not recommend the payment of a dividend (2006 £nil)

Employees

Employment policies are based on the provision of appropriate training and career development of our staff. We seek to give equal opportunity and to consider carefully the recruitment of disabled people including those who become disabled during their employment. Job sharing continues to increase. Annual personal appraisals support skill development and commitment to the business.

Our communication aim is to increase the understanding and commitment of all our employees through regular briefings and in-house publications such as *'The Word'*.

Payments to creditors

It is the Company's payment policy to follow the CBI's Prompt payment Code for all suppliers. Copies of the code are available from the Confederation of British Industry at Centre Point, 103 New Oxford Street, London, WC1A 1DU.

Creditor days at the period end were 37 (2006 39)

MARSTON'S TRADING LIMITED
(formerly Wolverhampton & Dudley Breweries (Trading) Limited)

DIRECTORS' REPORT (continued)

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

No Director had any interest in the share capital of the Company. Details of the Directors' interests in the share capital of other group companies are disclosed in the financial statements of the ultimate parent company, Marston's PLC (formerly The Wolverhampton & Dudley Breweries, PLC)

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

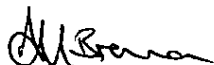
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets 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

So far as the Directors are aware, there is no relevant audit information of which PricewaterhouseCoopers LLP ("PwC") are unaware, and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that PwC are aware of that information.

PwC 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 30 November 2007 and signed on its behalf by



Anne-Marie Brennan
Company secretary
30 November 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARSTON'S TRADING LIMITED (formerly Wolverhampton & Dudley Breweries (Trading) Limited)

We have audited the financial statements of Marston's Trading Limited (formerly Wolverhampton & Dudley Breweries (Trading) Limited) for the period ended 29 September 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, 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 29 September 2007 and of its profit 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
30 November 2007

MARSTON'S TRADING LIMITED
(formerly Wolverhampton & Dudley Breweries (Trading) Limited)

PROFIT AND LOSS ACCOUNT
For the period ended 29 September 2007

	Notes	2007 £m	2006 £m
Turnover	2	237.9	260.8
Net trading expenses	3	(211.6)	(233.2)
Operating profit	2	26.3	27.6
Loss on disposal of fixed assets		(3.6)	(1.5)
Profit on ordinary activities before interest		22.7	26.1
Interest payable and similar charges	6	(20.6)	(8.1)
Interest receivable and similar income	7	0.4	0.2
Profit on ordinary activities before taxation		2.5	18.2
Taxation credit on profit on ordinary activities	8	0.1	2.6
Profit for the period	20	2.6	20.8

All results relate to continuing operations

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the period ended 29 September 2007

	Notes	2007 £m	2006 £m
Profit on ordinary activities after taxation		2.6	20.8
Actuarial gain/(loss) recognised for the pension scheme		25.9	(18.6)
Movement on deferred tax relating to pension liability	8	(8.7)	2.4
Movement on current tax in relation to pension liability		-	3.2
Total recognised gains relating to the period		19.8	7.8

MARSTON'S TRADING LIMITED
(formerly Wolverhampton & Dudley Breweries (Trading) Limited)

BALANCE SHEET
At 29 September 2007

	Notes	2007 £m	2006 £m
Fixed assets			
Intangible assets	9	7 0	7 5
Tangible assets	10	85 3	83 3
Investments	11	298 1	290 2
		<u>390 4</u>	<u>381 0</u>
Current assets			
Assets held for sale	12	0 7	2 7
Stocks	13	11 5	9 6
Debtors – due within one year	14	337 5	81 8
– due after more than one year	14	1 1	10 1
		<u>350 8</u>	<u>104 2</u>
Creditors (amounts falling due within one year)	15	(337 0)	(314 2)
Net current assets/(liabilities)		<u>13 8</u>	<u>(210 0)</u>
Total assets less current liabilities		404 2	171 0
Creditors (amounts falling due after more than one year)	16	(373 1)	(154 3)
Provisions for liabilities and charges	17	(7 3)	(7 1)
Net assets before pension liabilities		<u>23 8</u>	<u>9 6</u>
Pension liabilities	22	(25 7)	(32 7)
Net liabilities		<u>(1 9)</u>	<u>(23 1)</u>
Capital and reserves			
Called up share capital	19	-	-
Profit and loss account	20	(1 9)	(23 1)
Total shareholders' deficit	21	<u>(1 9)</u>	<u>(23 1)</u>

The financial statements on pages 5 to 20 were approved by the Board on 30 November 2007 and were signed on its behalf by



Paul Inglett
Director
30 November 2007

MARSTON'S TRADING LIMITED
(formerly Wolverhampton & Dudley Breweries (Trading) 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 Trading Limited (formerly Wolverhampton & Dudley Breweries (Trading) 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 (formerly The Wolverhampton & Dudley Breweries, PLC), a company registered in England and Wales.

(b) Going concern

The Company's parent undertaking, Marston's PLC (formerly The Wolverhampton & Dudley Breweries, 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 (formerly The Wolverhampton & Dudley Breweries, PLC) and is included in the consolidated financial statements of that company, which are publicly available. Consequently, Marston's Trading Limited (formerly Wolverhampton & Dudley Breweries (Trading) Limited) has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1. 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 (formerly The Wolverhampton & Dudley Breweries, PLC) Group.

(d) Turnover

Turnover comprises the value of goods and services supplied to customers, and rents receivable from licensed properties. Rental income is recognised in respect of the period to which it relates. Turnover is recorded net of discounts and VAT, and arises solely within the United Kingdom.

(e) Goodwill

Goodwill held on the balance sheet relates to the acquisition of the trade and certain assets and liabilities of Wizard Inns Limited in 2004. 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.

(f) Tangible fixed assets

Plant, fixtures and fittings are stated at cost. Own labour directly attributable to capital projects is capitalised.

Plant, fixtures and fittings are depreciated on a straight-line basis to residual value over periods ranging from three to 15 years, being their anticipated useful lives.

(g) Fixed asset disposals

Profit/loss on fixed asset disposals is net sale proceeds less carrying value of the assets.

(h) Investments

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

(i) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes direct materials and a proportion of attributable overheads.

MARSTON'S TRADING LIMITED
(formerly Wolverhampton & Dudley Breweries (Trading) Limited)

NOTES

1 Accounting policies (continued)

(j) 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.

(k) Pensions

Pension costs for the Company's defined benefit pension scheme are determined using the Projected Unit Credit Method, with actuarial calculations being carried out at each period end date. Costs are recognised separately as operating and interest costs in the profit and loss account. Operating costs comprise the current service cost, any income or expenses on settlements or curtailments, and past service costs where the benefits have vested. Interest items comprise the interest on plan liabilities and the expected return on plan assets.

Actuarial gains or losses comprising differences between the actual and expected return on plan assets, changes in plan liabilities due to experience and changes in actuarial assumptions are recognised in full in the period in which they occur in the statement of total recognised gains and losses. The liability recognised in the balance sheet for the defined benefit pension scheme is the present value of scheme liabilities less the fair value of scheme assets.

Pension costs for the Company's defined contribution pension scheme are charged to the profit and loss account in the period in which they are incurred.

(l) Leases

Rental costs under operating leases are charged to the profit and loss account over the term of the lease. The cost of assets held under finance leases is included within tangible fixed assets and depreciation is provided in accordance with the policy for the class of asset concerned. The corresponding obligations under these leases are shown in creditors. The finance charge element of rentals is charged to the profit and loss account as incurred.

(m) Trade loans

Trade loans provided to publicans who purchase beer from the Company are recorded as fixed asset investments. They are linked to supply terms and are of a long-term nature. Trade loans are held at the lower of the amount advanced and the recoverable amount.

(n) Share-based payments

The fair value of share-based remuneration at the date of grant is calculated using the Black-Scholes option pricing model and charged to the profit and loss account on a straight line basis over the vesting period of the award. The charge to the profit and loss account takes account of the estimated number of shares that will vest.

(o) Assets held for sale

Assets, typically properties, are categorised as held for sale when the value of the asset will be recovered through a sale transaction rather than continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition. In addition, the Company must be committed to the sale and the completion should be expected to occur within one year from the date of classification. Assets held for sale are valued at the lower of carrying value and fair value less costs to sell and are no longer depreciated.

(p) Discounted convertible loan note

The Company held a discounted convertible loan note, which it received in exchange for the disposal of certain assets and liabilities. 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.

MARSTON'S TRADING LIMITED
(formerly Wolverhampton & Dudley Breweries (Trading) Limited)

NOTES

2 Segmental analysis

	2007		2006	
	Turnover	Operating profit	Turnover	Operating profit
	£m	£m	£m	£m
Marston's Inns and Taverns – managed	119 0	6 1	105 1	5 0
Marston's Pub Company – tenanted	24 9	7 7	28 6	8 3
Marston's Beer Company – brewing and wholesale	94 0	13 4	127 1	16 9
Marston's Group Services – central costs	-	(0 9)	-	(2 6)
	237.9	26 3	260 8	27 6

Turnover originates in the UK and is not materially different from turnover by destination

3 Net trading expenses

	2007	2006
	£m	£m
Change in stocks of finished goods and work in progress	2 5	(0 1)
Own work capitalised	(0 1)	(0 2)
Other operating income	(0 8)	(7 1)
Raw materials and consumables	79 0	111 3
Depreciation	15 2	14 8
Employee costs	142 5	126 5
Recharge of employee costs	(86 6)	(72 1)
Operating lease rentals – plant and machinery	1 1	1 3
Operating lease rentals – other	5 0	6 3
Other operating charges	53 3	52 0
Goodwill amortisation	0 5	0 5
	211 6	233 2

Auditors' remuneration is borne by the ultimate parent company, Marston's PLC (formerly The Wolverhampton & Dudley Breweries, PLC). The Company incurred no non-audit fees during the period (2006 £nil)

4 Employees

The monthly average number of employees during the period was

	2007	2006
Full time	5,782	5,021
Part time	7,088	7,476

Staff costs consist of

	2007	2006
	£m	£m
Wages and salaries	128 1	112 6
Social security costs	9 5	8 8
Pension costs	3 5	4 1
Share-based payments (note 23)	1 4	1 0
	142 5	126 5

MARSTON'S TRADING LIMITED
(formerly Wolverhampton & Dudley Breweries (Trading) Limited)

NOTES

5 Directors' emoluments

	2007 £m	2006 £m
Aggregate emoluments	1.3	1.4

Retirement benefits are accruing to 5 (2006: 5) Directors under a defined benefit pension scheme

Share options were exercised by 5 (2006: 4) Directors during the period

Highest paid Director

	2007 £'000	2006 £'000
Aggregate emoluments	356	419
Accrued pension at the period end	42	31

The Directors of the Company are also Directors of Marston's PLC (formerly The Wolverhampton & Dudley Breweries, PLC). The Directors' emoluments shown above represent an apportionment of the total emoluments paid to all Directors of the Group.

6 Interest payable and similar charges

	2007 £m	2006 £m
Bank loans and overdrafts	17.8	6.9
Amortisation of loan fees	0.8	0.2
Bank arrangement costs	-	0.4
Net interest on pension scheme liabilities	2.0	0.4
Other interest payable	-	0.2
	20.6	8.1

7 Interest receivable and similar income

	2007 £m	2006 £m
Income from fixed asset investments	0.3	0.2
Financing income (note 14)	0.1	-
	0.4	0.2

MARSTON'S TRADING LIMITED
(formerly Wolverhampton & Dudley Breweries (Trading) Limited)

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8 Taxation

	2007 £m	2006 £m
Current tax		
Corporation tax on profit for the period	(4.3)	1.2
Adjustment in respect of prior periods	-	0.6
Movement on current tax in relation to pension liability	-	(3.2)
	(4.3)	(1.4)
Deferred tax	12.9	(4.4)
Taxation charge/(credit) on profit on ordinary activities	8.6	(5.8)
Taken to		
Profit and loss account	(0.1)	(2.6)
Statement of total recognised gains and losses	8.7	(3.2)
	8.6	(5.8)

The actual tax rate for the period is lower than (2006 lower than) the standard rate of corporation tax in the UK (30%). The differences are explained below

	2007 £m	2006 £m
Profit on ordinary activities before tax	2.5	18.2
Profit before tax multiplied by the UK corporation tax rate of 30% (2006 30%)	0.8	5.5
Effect of		
Adjustments to tax in respect of prior periods	-	0.6
Costs not deductible for tax purposes	0.4	0.3
Other permanent differences	(1.4)	(1.6)
Excess of capital allowances over depreciation	(0.3)	(1.0)
Tax relief on pension contributions	(3.8)	(5.2)
Utilisation of losses brought forward	-	(0.2)
Other timing differences	-	0.2
Current period taxation credit	(4.3)	(1.4)

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement and were enacted in the 2007 Finance Act in June 2007. The changes impact after the balance sheet date and, therefore, are not included in these financial statements. The main changes which will affect these accounts going forward are

- i) the corporation tax rate will reduce from 30% to 28% with effect from 1 April 2008 and
- ii) balancing adjustments for industrial buildings are abolished

The financial impact of these changes will be quantified in the accounts going forward

MARSTON'S TRADING LIMITED
(formerly Wolverhampton & Dudley Breweries (Trading) Limited)

NOTES

9 Intangible fixed assets

	Goodwill £m
Cost	
At 29 September 2007 and 1 October 2006	<u>9 0</u>
Amortisation	
At 1 October 2006	1 5
Amortisation charge for the period	0 5
At 29 September 2007	<u>2 0</u>
Net book value	
At 29 September 2007	<u>7 0</u>
At 30 September 2006	<u>7 5</u>

10 Tangible fixed assets

	Plant, fixtures and fittings £m
Cost	
At 1 October 2006	113 9
Additions	22 5
Transfers from Group undertakings	(3 6)
Transfers to assets held for sale	(0 6)
Disposals	(16 6)
At 29 September 2007	<u>115 6</u>
Depreciation	
At 1 October 2006	30 6
Charge for the period	15 2
Transfers to Group undertakings	(2 2)
Transfers to assets held for sale	(0 5)
Disposals	(12 8)
At 29 September 2007	<u>30 3</u>
Net book value	
At 29 September 2007	<u>85 3</u>
At 30 September 2006	<u>83 3</u>

Cost at 29 September 2007 includes £3 4m (2006 £3 2m) of assets in the course of construction

The net book value of assets held under finance leases was £0 2m (2006 £0 2m)

Capital expenditure authorised and committed but not provided in the financial statements was £5 9m (2006 £0 8m)

MARSTON'S TRADING LIMITED
(formerly Wolverhampton & Dudley Breweries (Trading) Limited)

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11 Investments

	Trade loans £m	Subsidiary undertaking £m	Preference shares £m	Total £m
At 1 October 2006	18.7	271.5	-	290.2
Additions	3.8	-	9.1	12.9
Disposals, repayments and provisions	(5.0)	-	-	(5.0)
At 29 September 2007	17.5	271.5	9.1	298.1

The Company's subsidiary undertaking is S K Williams Limited, an investment company incorporated in England. The Company owns 99.9% of the ordinary £1 shares of S K Williams Limited.

On conversion of the discounted convertible loan note (note 14) on 29 September 2007 the Company received 10,742,652 irredeemable preference shares with a nominal value of £0.01 each, issued by Marston's Estates Limited (formerly W&DB Estates Limited). The value of the preference shares received was £9,100,000.

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

12 Assets held for sale

	2007 £m	2006 £m
Plant, fixtures and fittings	0.7	2.7

13 Stocks

	2007 £m	2006 £m
Raw materials and consumables	2.6	3.1
Work in progress	0.2	0.4
Finished goods	8.7	6.1
	11.5	9.6

MARSTON'S TRADING LIMITED
(formerly Wolverhampton & Dudley Breweries (Trading) Limited)

NOTES

14 Debtors

Amounts due within one year

	2007 £m	2006 £m
Trade debtors	19 4	18 9
Corporation tax	3 8	1 2
Amounts due from Group undertakings	298 0	47 1
Other debtors	4 5	2 6
Prepayments	11 8	12 0
	337 5	81 8

Amounts due after more than one year

	2007 £m	2006 £m
Discounted convertible loan note - due from Group undertaking	-	10 1
Loan note – due from Group undertaking	1 1	-
	1 1	10 1

The discounted convertible loan note was issued by Marston's Estates Limited (formerly W&DB Estates Limited) on 27 May 2006, in exchange for the disposal of certain assets and liabilities. The loan note carried an annual interest coupon of 4.90% of the face value, which accrued from the beginning of the third year after issue and was receivable annually beginning on the third anniversary of the issue date. No interest was receivable in respect of the first two years.

Finance income of £64,000 (2006: £11,000) had accrued at the period end. This reflects the spreading of the total finance income receivable, which was considered likely to arise in the form of qualifying consideration over the period of the loan.

The loan note was 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.

The new loan note expires on 17 July 2036. The obligations of Marston's Estates Limited (formerly W&DB Estates Limited) are guaranteed by Marston's PLC (formerly The Wolverhampton & Dudley Breweries, PLC).

15 Creditors (amounts falling due within one year)

	2007 £m	2006 £m
Bank loans and overdraft	33 8	34 3
Trade creditors	46 3	42 5
Finance leases	0 1	0 1
Amounts due to Group undertakings	213 3	199 2
Other creditors	2 6	3 2
Other taxes and social security	11 9	11 9
Accruals and deferred income	29 0	23 0
	337 0	314 2

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

MARSTON'S TRADING LIMITED
(formerly Wolverhampton & Dudley Breweries (Trading) Limited)

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

	2007 £m	2006 £m
Bank loans	372.6	154.1
Finance leases	0.1	0.2
Accruals	0.4	-
	373.1	154.3

All bank loans are repayable within two to five years (2006 all bank loans repayable within two to five years)

17 Provisions for liabilities and charges

	Deferred tax £m
At 1 October 2006	7.1
Profit and loss account	0.4
Transfers to other Group undertakings	(0.2)
At 29 September 2007	7.3

The amount provided in respect of deferred tax is as follows

	2007 £m	2006 £m
Excess of capital allowances over accumulated depreciation	8.1	7.9
Pension costs	(0.1)	(0.2)
Other timing differences	(0.2)	(0.1)
Share options	(0.5)	(0.5)
	7.3	7.1

Deferred tax has been calculated at the tax rates expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted at the balance sheet date

18 Commitments under operating leases

The Company had annual commitments under non-cancellable operating leases as set out below

	2007		2006	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Operating leases which expire				
Within one year	-	0.2	-	0.3
Within two to five years	-	0.5	-	0.7
After five years	-	-	-	-
	-	0.7	-	1.0

19 Share capital

	2007 £'000	2006 £'000
Authorised		
1,000 ordinary shares of £5 each	5	5
600 ordinary shares of £10 each	6	6
	11	11
Allotted, issued and fully paid		
1,000 ordinary shares of £5 each	5	5

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20 Reserves

	Profit and loss account £m
At 1 October 2006	(23 1)
Actuarial gain	17 2
Share-based payments	1 4
Profit for the financial period	2 6
At 29 September 2007	<u>(1 9)</u>

21 Reconciliation of movement in shareholders' deficit

	2007 £m	2006 £m
Profit for the financial period	2 6	20 8
Actuarial gain/(loss) on defined benefit pension scheme	25 9	(18 6)
Movement on deferred tax relating to pension liability	(8 7)	5 6
Share-based payments	1 4	1 0
Net addition to shareholders' funds	21 2	8 8
Opening shareholders' deficit	(23 1)	(31 9)
Closing shareholders' deficit	<u>(1 9)</u>	<u>(23 1)</u>

22 Pensions

Group Personal Pension Plan

New employees who join the Company are offered membership of the Marston's Group Personal Pension Plan. The Company paid contributions of £0.8m (2006: £0.7m) to Group Personal Pension Plans during the period.

Defined benefit scheme

The Company also participates in the Marston's PLC (formerly The Wolverhampton & Dudley Breweries, PLC) Pension and Life Assurance Scheme ("the Scheme"), which is closed to new members. All of the employees in the scheme are employees of Marston's Trading Limited (formerly Wolverhampton & Dudley Breweries (Trading) Limited). The assets of the Scheme are administered by trustees in a fund independent from those of the Company.

The Company contribution was 17.5% of pensionable salaries throughout the period (2006: 32.0%), following the recommendations of an independent qualified actuary. In addition, lump sums totalling £6.1m were paid before the year end. An allowance of £0.2m has been made for the 2006/07 PPF levy in the Company contributions and expenses paid from the Scheme.

The members of the Eldridge Pope Pension Scheme transferred employment to Marston's Trading Limited (formerly Wolverhampton & Dudley Breweries (Trading) Limited) and benefits to the Scheme on 7 September 2007.

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22 Pensions (continued)

The most recent actuarial valuation of the final salary pension scheme was performed by Mercer Limited at 29 September 2007. The principal assumptions made by the actuaries were

	29 Sep 2007	30 Sep 2006	1 Oct 2005
	%	%	%
Discount rate	5.8	5.2	5.1
Rate of increase in pensionable salaries	3.8	3.4	3.5
Rate of increase of pensions in payment – 5% LPI	3.1	2.7	2.5
Rate of increase of pensions in payment – 2.5% LPI	2.25	2.25	2.25
Rate of increase of pensions in deferment	3.1	2.7	2.5
Inflation assumption	3.1	2.7	2.5

The assets of the scheme and the weighted average expected returns were

	Long-term rate of return expected at 29 Sep 2007	Value at 29 Sep 2007	Long-term rate of return expected at 30 Sep 2006	Value at 30 Sep 2006	Long-term rate of return expected at 1 Oct 2005	Value at 1 Oct 2005
	%	£m	%	£m	%	£m
Equities	7.8	179.2	6.4	164.1	6.5	132.9
Bonds	5.6	101.0	4.6	74.8	4.7	65.5
Other	4.3	21.4	4.1	6.2	4.2	1.4
Total market value of assets		301.6		245.1		199.8
Actuarial value of liability		(340.2)		(298.2)		(240.0)
Total deficit in the scheme		(38.6)		(53.1)		(40.2)
Related deferred tax asset		12.9		20.4		18.7
Net pension liability		(25.7)		(32.7)		(21.5)

The deferred tax asset of £12.9m includes £5.0m transferred from Eldridge, Pope & Co, Limited in respect of the merger of the pension schemes.

Analysis of amount charged to operating profit in respect of the defined benefit pension scheme

	2007 £m	2006 £m
Current service cost	2.7	3.2

Movement in deficit during the period

	2007 £m	2006 £m
Deficit in the scheme at the beginning of the period	(53.1)	(40.2)
Movement in the period		
Current service cost	(2.7)	(3.2)
Contributions	9.7	14.4
Other finance costs	(2.0)	(0.4)
Actuarial gain/(loss)	25.9	(18.6)
Scheme mergers	(16.4)	(5.1)
Deficit in the scheme at the end of the period	(38.6)	(53.1)

Analysis of amount charged to interest payable and similar charges

	2007 £m	2006 £m
Expected return on pension scheme assets	13.5	12.3
Interest on pension scheme liabilities	(15.5)	(12.7)
Net expense	(2.0)	(0.4)

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22 Pensions (continued)

Analysis of amount recognised in statement of total recognised gains and losses

	2007 £m	2006 £m
Actual returns less expected return on pension scheme assets	9 8	6 2
Experience gains and losses on pension scheme liabilities	-	7 3
Changes in assumptions underlying the present value of the scheme liabilities	16 1	(32 1)
Actuarial loss recognised in statement of total recognised gains and losses	25 9	(18 6)

History of experience gains and losses

	2007	2006	2005	2004	2003
Difference between the actual and expected return on scheme assets					
Amount	£9 8m	£6 2m	£15 1m	£7 8m	£5 8m
Percentage of scheme assets	3%	3%	8%	5%	4%
Experience gains and losses on scheme liabilities					
Amount	-	£7 3m	-	-	£15 0m
Percentage of present value of scheme liabilities	-	2%	-	-	7%
Total amount recognised in statement of total recognised gains and losses					
Amount	£25 9m	£(18 6)m	(£4 0m)	£14 9m	£13 7m
Percentage of present value of scheme liabilities	8%	6%	2%	7%	7%

23 Share-based payments

During the period there were three classes of equity-settled employee share incentive plans outstanding, granting rights to shares in the parent company, Marston's PLC (formerly The Wolverhampton & Dudley Breweries, PLC)

- (a) **Save As You Earn (SAYE)** Under this scheme employees enter into a savings contract for a period of three to seven years and options are granted on commencement of the contract, exercisable using the amount saved under the contract at the time it terminates. Options under the scheme are granted at a discount of 20% of the market price of the shares at the time of the grant and are not subject to performance conditions. Exercise of options is subject to continued employment.
- (b) **Executive Share Option Plan (ESOP)** Under this scheme executive share options are awarded at the prevailing market rate on the date of the grant. Options are normally exercisable between three and ten years after grant and upon the achievement of certain performance criteria in relation to earnings per share.
- (c) **Long Term Incentive Plan (LTIP)** Under this scheme nil cost options are granted that will only vest provided the participant satisfies a minimum shareholding requirement and certain performance conditions relating to earnings per share are met.

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23 Share-based payments (continued)

The tables below summarise outstanding options that were issued after 7 November 2002. All comparative figures have been restated to reflect the 4-for-1 share split that was completed on 9 January 2007.

	Number of shares		Weighted average exercise price	
	2007	2006	2007	2006
	m	m	p	p
SAYE				
Outstanding at beginning of period	2.1	1.9	195.0	172.9
Granted	0.5	0.5	370.0	254.0
Exercised	(0.1)	(0.2)	161.9	123.2
Expired	(0.2)	(0.1)	220.1	179.7
Outstanding at end of period	2.3	2.1	235.8	195.0
Exercisable at end of period	-	-	-	-
Range of exercise prices	99.8p to 370.0p	99.8p to 254.0p		
Weighted average remaining contractual life (years)	3.1	3.0		

	Number of shares		Weighted average exercise price	
	2007	2006	2007	2006
	m	m	p	p
ESOP				
Outstanding at beginning of period	0.2	0.9	151.0	151.0
Exercised	(0.1)	(0.7)	151.0	151.0
Outstanding at end of period	0.1	0.2	151.0	151.0
Exercisable at end of period	0.1	0.2	151.0	151.0
Exercise price	151.0p	151.0p		
Weighted average remaining contractual life (years)	3.8	4.1		

	Number of shares		Weighted average exercise price	
	2007	2006	2007	2006
	m	m	p	p
LTIP				
Outstanding at beginning of period	2.0	1.4	-	-
Granted	0.4	0.6	-	-
Exercised	(0.5)	-	-	-
Expired	(0.2)	-	-	-
Outstanding at end of period	1.7	2.0	-	-
Exercisable at end of period	-	-	-	-
Exercise price	-	-	-	-
Weighted average remaining contractual life (years)	2.6	1.9		

The fair values of the SAYE, ESOP and LTIP rights are calculated at the date of grant using the Black-Scholes option-pricing model. The main assumptions used during the period, for all schemes unless otherwise stated, were:

	2007	2006
Dividend yield %	3.2	3.4
Expected volatility %	19.2 to 21.9	17.8 to 23.1
Risk free interest rate %	5.6 to 5.8	4.7 to 4.8
Expected life of rights	3 to 7 years	3 to 7 years
SAYE	3 years	3 years
ESOP	3 years	3 years
LTIP	3 years	3 years

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23 Share-based payments (continued)

The expected volatility is based on historical volatility over the expected life of the rights. The performance criteria of the ESOP and LTIP, as set out previously, are built into the pricing model.

The weighted average fair value of options granted during the period in relation to the SAYE was 323.0p (2006: 342.0p). The fair value of options granted during the period in relation to the LTIP was 408.0p (2006: 275.3p).

The weighted average share price for options exercised over the period was 407.7p (2006: 317.0p). The total charge for the period relating to employee share-based payment plans was £1.4m (2006: £1.0m), all of which related to equity-settled share-based payment transactions. After tax the total charge was £1.1m (2006: £0.7m).

The table below summarises outstanding options that were issued prior to 7 November 2002 which have therefore not been charged to the income statement.

	SAYE				ESOP			
	Number of shares		Weighted average exercise price		Number of shares		Weighted average exercise price	
	2007	2006	2007	2006	2007	2006	2007	2006
	m	m	p	p	m	m	p	p
Outstanding at beginning of period	0.8	1.2	89.3	88.2	0.4	1.8	117.8	111.0
Exercised	(0.7)	(0.2)	83.2	83.4	(0.2)	(1.4)	98.3	108.6
Expired	-	(0.2)	103.7	92.4	-	-	-	141.3
Outstanding at end of period	0.1	0.8	124.9	89.3	0.2	0.4	130.7	117.8
Exercisable at end of period	-	-	-	-	0.2	0.4	130.7	117.8
Weighted share price at date of exercise			375.1	306.5			454.7	330.8
	61.8p	58.5p			129.0p	81.4p		
	to	to			to	to		
Range of exercise prices	138.5p	138.5p			143.4p	146.9p		
Weighted average remaining contractual life (years)	1.8	1.0			3.4	5.7		

The LTIP scheme was introduced in January 2004.

24 Ultimate parent undertaking

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

25 Post balance sheet event

On 22 November 2007 the trade relating to 138 tenanted pubs was sold to a fellow subsidiary undertaking of Marston's PLC (formerly The Wolverhampton & Dudley Breweries, PLC), generating a profit on disposal of £nil. Debtors and creditors relating to those pubs were also transferred at their net book value.