

**MARSTON'S TRADING LIMITED**  
**ANNUAL REPORT**  
**FOR THE PERIOD ENDED 3 OCTOBER 2009**

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# **MARSTON'S TRADING LIMITED**

## **FINANCIAL STATEMENTS**

**Period ended 3 October 2009**

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# MARSTON'S TRADING LIMITED

## DIRECTORS' REPORT

### Period ended 3 October 2009

The Directors submit their report and the audited financial statements of the Company for the 52 weeks ended 3 October 2009 (2008 53 weeks ended 4 October 2008)

The registration number of Company is 40590

#### Principal activities and business review

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

Throughout the period, 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

At the prior period end the Company held preference shares in Marston's Estates Limited On 22 September 2009, Marston's Estates Limited bought back the preference shares for £5.2m, generating a loss on disposal of £3.9m

The Directors of Marston's PLC 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 Marston's PLC 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

#### Results and dividends

The loss for the period, after taxation, amounted to £6.4m (2008 loss of £8.8m) The Directors have not recommended a dividend (2008 £nil)

#### 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

#### Directors

The Directors who served the Company during the period and up to the date of this report were as follows

A Darby  
A Andrea  
D Andrew  
S J Oliver  
R Findlay  
P Inglett

A Andrea was appointed as a Director on 31 March 2009

P Inglett resigned as a Director on 31 March 2009

#### Policy on the payment of 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 39 (2008 42)

#### Employees

The Company's employment policies reflect those of the Marston's Group Details of the Group employment policies and practices are presented in the Marston's PLC Annual Report

# MARSTON'S TRADING LIMITED

## DIRECTORS' REPORT *(continued)*

**Period ended 3 October 2009**

### **Directors' responsibilities**

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 these 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 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.

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 2006. 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.

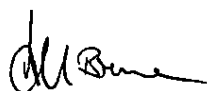
### **Auditors and disclosure of information to auditors**

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.

Signed by order of the Directors



Anne-Marie Brennan  
Company Secretary

Approved by the Directors on 3 December 2009

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARSTON'S TRADING LIMITED**

We have audited the financial statements of Marston's Trading Limited for the period ended 3 October 2009 which comprise the profit and loss account, statement of total recognised gains and losses, balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## **Respective responsibilities of Directors and Auditors**

As explained more fully in the Directors' Responsibilities Statement the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

## **Opinion on financial statements**

In our opinion the financial statements

give a true and fair view of the state of the Company's affairs as at 3 October 2009 and of its loss for the period then ended,  
have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,  
and  
have been prepared in accordance with the requirements of the Companies Act 2006.

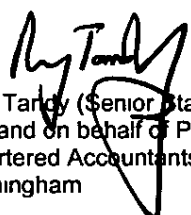
## **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or  
the financial statements are not in agreement with the accounting records and returns, or  
certain disclosures of Directors' remuneration specified by law are not made, or  
we have not received all the information and explanations we require for our audit.

  
Roy Tandy (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

3 December 2009

# MARSTON'S TRADING LIMITED

## PROFIT AND LOSS ACCOUNT

Period ended 3 October 2009

	Note	2009 £m	2008 £m
Turnover	2	180.8	200.3
Trading expenses excluding exceptional items		<u>(159.1)</u>	<u>(174.2)</u>
Exceptional items	6	<u>(3.0)</u>	<u>(12.2)</u>
Trading expenses		<u>(162.1)</u>	<u>(186.4)</u>
Operating profit	3	18.7	13.9
Loss on disposal of fixed assets		<u>(0.8)</u>	<u>(0.4)</u>
Loss on disposal of preference shares	7	<u>(3.9)</u>	<u>—</u>
		14.0	13.5
Interest receivable and similar income	8	13.6	3.8
Interest payable and similar charges	9	<u>(29.9)</u>	<u>(27.2)</u>
Loss on ordinary activities before taxation		<u>(2.3)</u>	<u>(9.9)</u>
Tax on loss on ordinary activities	10	<u>(4.1)</u>	<u>1.1</u>
Loss for the period	25	<u><u>(6.4)</u></u>	<u><u>(8.8)</u></u>

All of the activities of the Company are classed as continuing

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

The notes on pages 7 to 25 form part of these financial statements

# MARSTON'S TRADING LIMITED

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Period ended 3 October 2009

	2009 £m	2008 £m
Loss for the period	(6 4)	(8 8)
Actuarial losses recognised in respect of retirement benefits	(7 6)	(16 8)
Current tax in respect of defined benefit pension scheme	<u>2 1</u>	<u>4 7</u>
Total recognised losses relating to the period	<u>(11 9)</u>	<u>(20 9)</u>

The notes on pages 7 to 25 form part of these financial statements.

# MARSTON'S TRADING LIMITED

## BALANCE SHEET

As at 3 October 2009

	Note	2009 £m	2008 £m
<b>Fixed assets</b>			
Intangible assets	11	7 1	7 6
Tangible assets	12	74 6	85 9
Investments	13	285 3	296 7
		<u>367 0</u>	<u>390 2</u>
<b>Current assets</b>			
Assets held for sale	14	2 1	0 8
Stocks	15	12 7	13 8
Debtors due within one year	16	253 3	381 9
Debtors due after one year	16	—	1 1
		<u>268 1</u>	<u>397 6</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>(492.1)</u>	<u>(329 7)</u>
<b>Net current (liabilities)/assets</b>		<u>(224 0)</u>	<u>67 9</u>
<b>Total assets less current liabilities</b>		<u>143 0</u>	<u>458 1</u>
<b>Creditors amounts falling due after more than one year</b>	18	<u>(126.3)</u>	<u>(426 6)</u>
		<u>16 7</u>	<u>31 5</u>
<b>Provisions for liabilities</b>			
Deferred taxation	20	<u>(4.7)</u>	<u>(5 3)</u>
<b>Net assets excluding pension liability</b>		<u>12 0</u>	<u>26 2</u>
Defined benefit pension scheme liability	22	<u>(25.4)</u>	<u>(27 3)</u>
<b>Net liabilities</b>		<u>(13.4)</u>	<u>(1 1)</u>
<b>Capital and reserves</b>			
Called-up share capital	24	—	—
Profit and loss account	25	<u>(13 4)</u>	<u>(1 1)</u>
<b>Total shareholders' deficit</b>	26	<u>(13 4)</u>	<u>(1 1)</u>

These financial statements on pages 4 to 25 were approved by the Directors and authorised for issue on 3 December 2009, and are signed on their behalf by



Andrew Andrea  
Director

3 December 2009

The notes on pages 7 to 25 form part of these financial statements.



# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 1. Accounting policies

#### (a) Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention as modified by the revaluation of fixed assets, and in accordance with the Companies Act 2006 and applicable accounting standards

In previous periods all fixed assets were held at cost. As outlined below, fixtures and fittings are now regularly revalued and any changes in value are reflected in the balance sheet. This is consistent with the accounting policy of Marston's PLC. All other accounting policies applied are consistent with the prior period.

#### (b) Consolidation

The Company was, at the end of the period, a wholly-owned subsidiary of another company incorporated in the EEA and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts.

#### (c) 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.

#### (d) 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 Trading Limited has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). 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.

#### (e) 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.

#### (f) Goodwill

Goodwill held on the balance sheet relates to the acquisition of the trade and assets and liabilities of various companies. 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.

#### (g) Tangible fixed assets

Plant and machinery is stated at cost. Fixtures and fittings are stated at valuation or at cost. Own labour directly attributable to capital projects is capitalised.

Fixtures and fittings within properties are revalued by independent qualified valuers at least once in each five year period, on an existing use basis. When a valuation is below current carrying value, the asset concerned is reviewed for impairment. Impairment losses are charged to the revaluation reserve to the extent that a previous gain has been recorded, and thereafter to the profit and loss account. Surpluses on revaluation are recognised in the revaluation reserve, except where they reverse previously charged impairment losses, in which case they are recorded in the profit and loss account.

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

# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 1 Accounting policies *(continued)*

#### (h) Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Plant, fixtures and fittings - 5 to 15 years

#### (i) Investments

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

#### (j) Stocks

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

#### (k) Finance leases

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

#### (l) Operating leases

Rental costs under operating leases are charged to the profit and loss account over the term of the lease

#### (m) 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 schemes are charged to the profit and loss account in the period in which they are incurred

#### (n) 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

#### (o) 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

# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 1. Accounting policies (continued)

#### (p) Assets held for sale

Assets, typically plant, fixtures and fittings, 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 and is being actively marketed. 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.

#### (q) Intercompany convertible loan note

During the prior period the Company issued intercompany convertible loan notes to Marston's Estates Limited and Eldridge, Pope & Co., Limited in exchange for funds used to repay bank debt. The loan notes were convertible into floating rate irredeemable preference shares at the option of Marston's Estates Limited and Eldridge, Pope & Co., Limited on 3 October 2009. The conversion options were not exercised and the loan notes were redeemed at par.

#### (r) 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.

#### (s) Group undertakings

On 23 December 2008 the Company entered into an intra group funding agreement with certain other members of the Marston's Group. The agreement stipulates that all amounts outstanding on any intercompany loan account between these companies are interest bearing at a prescribed rate.

No interest is payable on any amounts owed by/to Group companies who are not party to the intra group funding agreement.

### 2. Segmental analysis

#### Turnover

	2009 £m	2008 £m
Marston's Inns and Taverns - managed	103.6	113.8
Marston's Pub Company - tenanted	1.7	4.3
Marston's Beer Company - brewing and wholesale	75.5	82.2
Marston's Group Services - central costs	—	—
	<u>180.8</u>	<u>200.3</u>

#### Operating profit

	2009 £m	2008 £m
Marston's Inns and Taverns - managed	7.5	10.7
Marston's Pub Company - tenanted	1.6	1.8
Marston's Beer Company - brewing and wholesale	14.1	11.6
Marston's Group Services - central costs	(4.5)	(10.2)
	<u>18.7</u>	<u>13.9</u>

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

# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 3 Operating profit

Operating profit is stated after charging/(crediting)

	2009 £m	2008 £m
Amortisation	0.5	0.4
Depreciation of owned fixed assets	15.2	14.4
Operating lease costs		
Plant and equipment	1.7	1.9
Other	6.1	4.6
Change in stocks of finished goods	(0.9)	4.2
Raw materials and consumables	<u>52.9</u>	<u>64.3</u>

Auditors' remuneration is borne by the ultimate parent company, Marston's PLC. The Company incurred no non-audit fees during the period (2008: £nil).

### 4. Employees

The average monthly number of staff employed by the Company during the period amounted to

	2009 Number	2008 Number
Full time	5,780	6,052
Part time	<u>6,209</u>	<u>7,112</u>
	<u>11,989</u>	<u>13,164</u>

The aggregate payroll costs of the above were

	2009 £m	2008 £m
Wages and salaries	123.7	136.4
Social security costs	9.4	10.0
Pension costs	3.8	4.5
Equity-settled share-based payments	<u>(0.4)</u>	<u>0.1</u>
	<u>136.5</u>	<u>151.0</u>

Employee costs of £83.6m (2008: £91.4m) were recharged to Group undertakings in the period.

Staff costs include £nil (2008: £3.5m) which were charged as exceptional items (note 6).

### 5 Directors' emoluments

The Directors' aggregate emoluments in respect of qualifying services were

	2009 £m	2008 £m
Emoluments receivable	<u>1.5</u>	<u>1.4</u>

# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 5 Directors' emoluments (continued)

Retirement benefits are accruing to 4 (2008: 5) Directors under a defined benefit pension scheme

No Directors exercised any share options during the period (2008: 1)

#### Highest paid Director

	2009 £m	2008 £m
Aggregate emoluments	<u>0.5</u>	<u>0.4</u>
Accrued pension at the period end	<u>0.1</u>	<u>0.1</u>

The Directors of the Company are also Directors of Marston's PLC. The Directors' emoluments shown above represent an apportionment of the total emoluments paid to all Directors of Marston's PLC.

### 6 Exceptional items

	2009 £m	2008 £m
Recognised in arriving at operating profit		
Reorganisation and redundancy costs	-	3.5
Recharge of redundancy costs to other Group undertakings	-	(0.9)
Impairment of fixed assets and assets held for sale	3.0	-
Loss on disposal of swap	-	9.6
	<u>3.0</u>	<u>12.2</u>

The tax credit relating to the above exceptional items amounts to £0.8m (2008: £3.4m).

### 7 Loss on disposal of preference shares

At the prior period end the Company held preference shares in Marston's Estates Limited. On 22 September 2009, Marston's Estates Limited bought back the preference shares for £5.2m, generating a loss on disposal of £3.9m (note 13).

### 8 Interest receivable and similar income

	2009 £m	2008 £m
Other loan interest receivable	-	0.1
Income from fixed asset investments	0.4	0.3
Dividend on preference shares held in Marston's Estates Limited	-	1.0
Interest receivable from Group undertakings	12.8	-
Other interest receivable	0.4	1.2
Net finance income in respect of defined benefit pension schemes	-	1.2
	<u>13.6</u>	<u>3.8</u>

# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 9 Interest payable and similar charges

	2009 £m	2008 £m
Bank loans and overdrafts	11 9	17 2
Amortisation of loan fees	0 5	0 3
Interest payable to Group undertakings	4 3	—
Other interest and similar charges	0 2	—
Interest on intercompany convertible loan notes	11 9	9 7
Net finance costs in respect of defined benefit pension schemes	1 1	—
	<u>29 9</u>	<u>27 2</u>

### 10 Taxation

#### (a) Analysis of charge in the period

	2009 £m	2008 £m
Current tax		
In respect of the period		
UK corporation tax based on the results for the period	4 4	(0 5)
Adjustments in respect of prior periods	(0 4)	(1 1)
Total current tax	<u>4 0</u>	<u>(1 6)</u>
Deferred tax		
Deferred tax in relation to period	(0 5)	0 5
Deferred tax in relation to prior periods	0.6	-
Total deferred tax (note 20)	<u>0.1</u>	<u>0 5</u>
Tax on loss on ordinary activities	<u>4 1</u>	<u>(1 1)</u>

#### (b) Tax included in statement of total recognised gains and losses

	2009 £m	2008 £m
Current tax	<u>(2.1)</u>	<u>(4 7)</u>

# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 10 Taxation (continued)

#### (c) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is higher than (2008 higher than) the standard rate of corporation tax of 28% (2008 29%)

	2009 £m	2008 £m
Loss on ordinary activities before taxation	<u>(2 3)</u>	<u>(9 9)</u>
Loss on ordinary activities multiplied by the corporation tax rate	(0 6)	(2 9)
Effect of		
Adjustments in respect of prior periods	(0 4)	(1 1)
Costs not deductible for tax purposes	4.5	3 0
Other permanent differences	-	0 2
Difference between capital allowances and depreciation	1 4	(0 5)
Tax relief on pension contributions	(0 7)	(2 6)
Other timing differences	<u>(0.2)</u>	<u>2 3</u>
Total current tax (note 10(a))	<u>4 0</u>	<u>(1 6)</u>

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 prior accounting period were taxed at an effective rate of 29%

#### (d) Factors that may affect future tax charges

No factors have been identified that may affect future tax charges

### 11. Intangible fixed assets

	Goodwill £m
<b>Cost</b>	
At 5 October 2008 and 3 October 2009	<u>10.0</u>
<b>Amortisation</b>	
At 5 October 2008	2 4
Charge for the period	<u>0 5</u>
<b>At 3 October 2009</b>	<u>2.9</u>
<b>Net book value</b>	
At 3 October 2009	<u>7 1</u>
At 4 October 2008	<u>7 6</u>

# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 12 Tangible fixed assets

	Plant, fixtures and fittings £m
<b>Cost or valuation</b>	
At 5 October 2008	141.3
Additions	10.2
Disposals	(2.2)
Net transfers to assets held for sale	(2.3)
Impairment	(6.8)
Net transfers to Group undertakings	(2.9)
<b>At 3 October 2009</b>	<b>137.3</b>
<b>Depreciation</b>	
At 5 October 2008	55.4
Charge for the period	15.2
On disposals	(1.5)
Net transfers to assets held for sale	(0.2)
Impairment	(4.5)
Net transfers to Group undertakings	(1.7)
<b>At 3 October 2009</b>	<b>62.7</b>
<b>Net book value</b>	
<b>At 3 October 2009</b>	<b>74.6</b>
At 4 October 2008	85.9

Cost at 3 October 2009 includes £1.6m (2008 £2.3m) of assets in the course of construction

If fixed assets had not been revalued, the historical cost net book value would be £76.9m (2008 £85.9m)

During the current period, various fixed assets were reviewed for impairment. This review identified an impairment of £2.3m (2008 £nil) which has been taken to the profit and loss account.

### Finance lease agreements

Included within the net book value of £74.6m is £0.1m (2008 £0.1m) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £nil (2008 £nil).

### Capital commitments

	2009 £m	2008 £m
Contracted but not provided for in the financial statements	1.6	3.3



# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 13 Investments

	Subsidiary undertaking £m	Preference shares £m	Trade loans £m	Total £m
At 5 October 2008	271.5	9.1	16.1	296.7
Additions	-	-	1.1	1.1
Disposals, repayments and provisions	-	(9.1)	(3.4)	(12.5)
<b>At 3 October 2009</b>	<b>271.5</b>	<b>-</b>	<b>13.8</b>	<b>285.3</b>

The Company's subsidiary undertaking is S K Williams Limited, an investment company incorporated in England. The Company owns 100% of the ordinary £1 shares of S K Williams Limited.

The preference shares were held in Marston's Estates Limited. On 22 September 2009, Marston's Estates Limited bought back the preference shares for £5.2m, generating a loss on disposal of £3.9m (note 7).

### 14 Assets held for sale

	2009 £m	2008 £m
Assets held for sale	2.1	0.8

During the current period, various assets classed as held for sale were reviewed for impairment. This review identified an impairment of £0.7m (2008: £nil) which has been taken to the profit and loss account.

### 15. Stocks

	2009 £m	2008 £m
Raw materials and consumables	2.4	2.6
Finished goods	10.3	11.2
	<b>12.7</b>	<b>13.8</b>

### 16. Debtors

	2009 £m	2008 £m
Trade debtors	18.9	17.7
Amounts owed by Group undertakings	205.5	345.2
Corporation tax	-	5.2
Interest owed by Group undertakings	12.8	-
Loan note - owed by Group undertaking	-	1.1
Other debtors	2.1	4.3
Prepayments and accrued income	14.0	9.5
	<b>253.3</b>	<b>383.0</b>

# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 16. Debtors (continued)

The debtors above include the following amounts falling due after more than one year

	2009 £m	2008 £m
Loan note - owed by Group undertaking	<u>-</u>	<u>1.1</u>

The loan note was issued by Marston's Estates Limited and was due to expire on 17 July 2036. Interest was receivable on the loan note at LIBOR plus a margin. The obligations of Marston's Estates Limited were guaranteed by Marston's PLC.

On 22 September 2009 the terms of the loan note were amended to reflect those of all other intercompany loans between the Company and Marston's Estates Limited.

### 17. Creditors - amounts falling due within one year

	2009 £m	2008 £m
Interest owed to Group undertakings	3.6	-
Bank loans and overdrafts	33.3	33.8
Trade creditors	42.2	49.9
Amounts owed to Group undertakings	385.1	211.9
Corporation tax	2.9	-
Other taxation and social security	10.7	13.9
Finance lease agreements	-	0.1
Other creditors	1.0	1.1
Accruals and deferred income	13.3	19.0
	<u>492.1</u>	<u>329.7</u>

Amounts owed to Group undertakings are unsecured and repayable on demand.

# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 18 Creditors, amounts falling due after more than one year

	2009 £m	2008 £m
Bank loans	125.0	233.8
Intercompany convertible loan note - owed to Group undertaking	-	191.5
Accruals and deferred income	1.3	1.3
	<u>126.3</u>	<u>426.6</u>

All bank loans are repayable within two to five years (2008 all bank loans repayable within two to five years)

An intercompany convertible loan note was issued on 22 November 2007 to Marston's Estates Limited, a subsidiary undertaking of Marston's PLC, in exchange for funds used to repay bank debt. Of the total cost of £182.2m, £162.8m was initially recognised in creditors due after more than one year and £19.4m was recognised within equity (note 25). A finance charge of £10.7m (2008 £8.7m) has been recognised in the period. The loan note was convertible into preference shares on 3 October 2009. The conversion option was not exercised and the loan was redeemed at par.

An intercompany convertible loan note was issued on 22 November 2007 to Eldridge, Pope & Co, Limited, a subsidiary undertaking of Marston's PLC, in exchange for funds used to repay bank debt. Of the total cost of £21.2m, £19.0m was initially recognised in creditors due after more than one year and £2.2m was recognised within equity (note 25). A finance charge of £1.2m (2008 £1.0m) has been recognised in the period. The loan note was convertible into preference shares on 3 October 2009. The conversion option was not exercised and the loan was redeemed at par.

On 22 November 2007 the Company entered into two interest rate swaps of £70.0m each to fix the interest rate payable on the Company's bank loans. The interest rate swaps fix interest at 5.5% and 5.6%.

On 20 May 2009 the Company entered into an interest rate swap of £20.0m to fix the interest rate payable on the Company's bank loans. The interest rate swap fixes interest at 1.1%.

On the same day the Company entered into a forward starting interest rate swap of £20.0m to fix the interest rate payable on the Company's bank loans. The interest rate swap fixes interest at 3.3% and commences on 9 August 2010.

### 19 Commitments under finance lease agreements

Future commitments under finance lease agreements are as follows

	2009 £m	2008 £m
Amounts payable within 1 year	-	0.1
	<u>-</u>	<u>0.1</u>

### 20. Deferred taxation

The movement in the deferred taxation provision during the period was

	2009 £m	2008 £m
Provision brought forward	5.3	7.3
Transfers to other Group undertakings	-	(0.2)
Profit and loss account movement arising during the period	(0.6)	(1.8)
Provision carried forward	<u>4.7</u>	<u>5.3</u>

# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 20 Deferred taxation (continued)

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2009 £m	2008 £m
Excess of taxation allowances over depreciation on fixed assets	7.4	8.4
Share options	-	(0.1)
Pension costs	-	(0.1)
Other timing differences	(2.7)	(2.9)
	<u>4.7</u>	<u>5.3</u>

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

### 21 Share-based payments

Equity-settled 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

(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.

The tables below summarise outstanding options that were issued after 7 November 2002. All comparative figures have been restated to reflect the rights issue completed in July 2009.

#### SAYE:

	2009		2008	
	Number of shares m	Weighted average exercise price p	Number of shares m	Weighted average exercise price p
Outstanding at beginning of period	4.4	138.5	3.2	169.2
Granted	2.8	94.7	2.7	123.4
Exercised	-	-	(0.5)	100.8
Expired	(2.7)	132.9	(1.0)	198.4
Outstanding at end of period	<u>4.5</u>	<u>109.7</u>	<u>4.4</u>	<u>138.5</u>
Exercisable at end of period	0.3	139.4	0.4	142.1
Range of exercise prices	92.8p to 265.5p		92.8p to 265.5p	
Weighted average remaining contractual life (years)	3.3		3.5	

# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 21. Share-based payments (continued)

#### ESOP

	2009		2008	
	Number of shares m	Weighted average exercise price p	Number of shares m	Weighted average exercise price p
Outstanding at beginning of period	0.1	108.4	0.1	108.4
Exercised	—	—	—	108.4
Outstanding at end of period	0.1	108.4	0.1	108.4
Exercisable at end of period	0.1	108.4	0.1	108.4
Exercise price	108.4p		108.4p	
Weighted average remaining contractual life (years)	1.6		2.9	

#### LTIP

	2009		2008	
	Number of shares m	Weighted average exercise price p	Number of shares m	Weighted average exercise price p
Outstanding at beginning of period	2.8	—	2.4	—
Granted	—	—	1.4	—
Exercised	—	—	(0.6)	—
Expired	(0.9)	—	(0.4)	—
Outstanding at end of period	1.9	—	2.8	—
Exercisable at end of period	—	—	—	—
Exercise price	—	—	—	—

LTIP options are exercisable until the retirement date of the holder

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

	2009 £m	2008 £m
Dividend yield %	8.4	5.5
Expected volatility %	36.5 to 50.9	24.9 to 29.4
Risk free interest rate %	2.4 to 3.3	5.4 to 5.8
Expected life of rights		
SAYE	3 to 7 years	3 to 7 years
ESOP	3 years	3 years
LTIP	3 years	3 years

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 27.1p (2008 38.5p). The fair value of options granted during the period in relation to the LTIP was nil (2008 105.5p).

The weighted average share price for options exercised over the period was 108.1p (2008 147.2p). The total credit for the period relating to employee share-based payment plans was £0.4m (2008 charge of £0.1m), all of which related to equity-settled share-based payment transactions.

# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 21 Share-based payments (continued)

The table below summarises outstanding options that were issued prior to 7 November 2002 which have therefore not been charged to the profit and loss account

SAYE:

	2009		2008	
	Number of shares m	Weighted average exercise price p	Number of shares m	Weighted average exercise price p
Outstanding at beginning of period	0.1	99.4	0.1	89.7
Exercised	–	99.4	–	73.3
Expired	–	99.4	–	99.4
Outstanding at end of period	0.1	99.4	0.1	99.4
Exercisable at end of period	0.1	99.4	–	–
Weighted average share price at date of exercise		108.1		228.3
Range of exercise prices	99.4p		99.4p	
Weighted average remaining contractual life (years)	0.2		1.2	

ESOP

	2009		2008	
	Number of shares m	Weighted average exercise price p	Number of shares m	Weighted average exercise price p
Outstanding at beginning of period	0.3	101.1	0.3	93.8
Exercised	–	–	–	97.3
Expired	(0.2)	102.8	–	92.9
Outstanding at end of period	0.1	98.6	0.3	101.1
Exercisable at end of period	0.1	98.6	0.3	101.1
Weighted average share price at date of exercise		–		147.3
Range of exercise prices	92.6p to 102.9p		92.6p to 102.9p	
Weighted average remaining contractual life (years)	1.4		2.8	

The LTIP was introduced in January 2004

### 22. Pensions and other post retirement benefits

#### 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 £1.2m (2008: £1.2m) to Group Personal Pension Plans during the period.

#### Defined benefit scheme

The Company also participates in the Marston's 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. The assets of the Scheme are administered by trustees in a fund independent from those of the Company.

The Company contribution was either 17.5% or 25.0% of pensionable salaries throughout the period (2008: 17.5% or 25.0%), following the recommendations of an independent qualified actuary. In addition lump sums totalling £10m were paid into the scheme before the period end. An allowance of £0.1m has been made for the 2009/10 PPF levy within the expenses of the Scheme and the Company contributions.

# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 22 Pensions and other post retirement benefits *(continued)*

The amounts recognised in the profit and loss account are as follows

	2009 £m	2008 £m
Amounts charged to operating profit		
Current service cost	2 6	3 3
Total operating charge	<u>2 6</u>	<u>3 3</u>
Amounts charged as net finance cost/(income)		
Expected return on scheme assets	(19 2)	(20 6)
Interest on scheme liabilities	20 3	19 4
Net finance cost/(income)	<u>1 1</u>	<u>(1 2)</u>
Total charge to the profit and loss account	<u>3 7</u>	<u>2 1</u>
Actual return on scheme assets	<u>41 3</u>	<u>34 1</u>

Other finance cost is included in the profit and loss account within interest payable and similar charges

Actuarial losses of £(7 5)m (2008 losses of £(16 8)m) have been recognised in the statement of total recognised gains and losses. At 3 October 2009 the cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £(17 9)m

The amounts recognised in the balance sheet are as follows

	2009 £m	2008 £m
Present value of funded obligations	(349.8)	(311 7)
Fair value of scheme assets	314 5	273 8
	<u>(35.3)</u>	<u>(37 9)</u>
Related deferred tax asset	9.9	10 6
Net pension liability	<u>(25.4)</u>	<u>(27 3)</u>

Changes in the present value of the defined benefit obligation scheme are as follows

	2009 £m	2008 £m
Opening defined benefit obligation	311.7	340 2
Current service cost	2.6	3 3
Interest on scheme liabilities	20.3	19 4
Actuarial loss/(gain)	29 6	(37 9)
Contributions by scheme participants	0 1	0 3
Benefits paid	(14 5)	(13 6)
Closing defined benefit obligation	<u>349 8</u>	<u>311 7</u>

# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 22 Pensions and other post retirement benefits (continued)

Changes in the fair value of scheme assets are as follows

	2009 £m	2008 £m
Opening fair value of scheme assets	273.8	301.6
Expected return on scheme assets	19.2	20.6
Contributions by employer	13.8	19.6
Contributions by scheme participants	0.1	0.3
Actuarial gain/(loss)	22.1	(54.7)
Benefits paid	(14.5)	(13.6)
Closing fair value of scheme assets	<u>314.5</u>	<u>273.8</u>

#### Plan assets

The weighted-average asset allocation at the year-end was as follows

	2009	2008
Equities/Properties	62.9%	57.0%
Bonds/Gilts	37.0%	37.5%
Cash/Other	0.1%	5.5%

Weighted average assumptions used to determine benefit obligations at:

	2009	2008
Discount rate	5.6%	6.6%
Rate of compensation increase	3.6%	4.1%
Rate of increase of pensions in payment - 5% LPI	3.1%	3.4%
Rate of increase of pensions in payment - 2.5% LPI	2.3%	2.3%
Rate of increase of pensions in deferment	3.1%	3.4%
Inflation	3.1%	3.4%

Weighted average assumptions used to determine net pension cost for:

	Period ended 3 October 2009
Discount rate	6.6%
Expected long-term return on plan assets	7.1%
Rate of compensation increase	4.1%
Rate of increase of pensions in payment - 5% LPI	3.4%
Rate of increase of pensions in payment - 2.5% LPI	2.3%
Rate of increase of pensions in deferment	3.4%

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes (excluding corporate bonds) in which the portfolio is invested and the expectations for future returns of each asset class. The expectation for future return for corporate bonds was based on the current level of expected returns for the scheme's portfolio of corporate bonds. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 7.1% assumption.

Weighted average life expectancy for mortality tables used to determine benefit obligations at:

	3 October 2009		4 October 2008	
	Male	Female	Male	Female
Member aged 65 (current life expectancy)	20.5 years	23.4 years	20.5 years	23.4 years
Member aged 45 (life expectancy at age 65)	22.2 years	25.0 years	22.2 years	25.0 years



# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 22. Pensions and other post retirement benefits (continued)

#### Five year history

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Benefit obligation at end of the period	(349 8)	(311 7)	(340 2)	(298 2)	(240 0)
Fair value of plan assets at end of the period	314.5	273 8	301 6	245 1	199 8
Deficit	<u>(35 3)</u>	<u>(37 9)</u>	<u>(38 6)</u>	<u>(53 1)</u>	<u>(40 2)</u>
Difference between actual and expected return on scheme assets					
Amount	22 2m	£(54 7)m	£8 9m	£6 2m	£15 1m
Percentage of scheme assets	7%	20%	3%	3%	8%
Experience gains and (losses) on scheme liabilities					
Amount	13 1m	-	-	£10 1m	-
Percentage of scheme liabilities	4%	-	-	3%	-

The contribution expected to be paid during the financial period ending 2 October 2010 amounts to £14 2m from the employer and £0 1m from employees

### 23. Commitments under operating leases

At 3 October 2009 the Company had annual commitments under non-cancellable operating leases as set out below

	Assets other than Land & Buildings	
	2009 £m	2008 £m
Operating leases which expire		
Within 1 year	-	0.1
Within 2 to 5 years	0 7	0 6
	<u>0 7</u>	<u>0 7</u>

### 24. Share capital

#### Authorised share capital

	2009 £m	2008 £m
1,000 Ordinary shares of £5 each	-	-
600 Ordinary shares of £10 each	-	-
	<u>-</u>	<u>-</u>

#### Allotted, called up and fully paid:

	2009 Number	£m	2008 Number	£m
Ordinary shares of £5 each	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>

# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 25 Profit and loss account

	2009 £m	2008 £m
Balance brought forward	(1.1)	(1 9)
Loss for the period	(6.4)	(8 8)
Issue of intercompany convertible loan notes	–	21 6
Actuarial losses on retirement benefits	(7.6)	(16 8)
Movement on current tax relating to retirement benefits	2 1	4 7
Share based payments	(0 4)	0 1
Balance carried forward	<u>(13 4)</u>	<u>(1 1)</u>

### 26 Reconciliation of movements in shareholders' deficit

	2009 £m	2008 £m
Loss for the period	(6.4)	(8 8)
Issue of intercompany convertible loan notes	–	21 6
Actuarial losses on retirement benefits	(7.6)	(16 8)
Movement on current tax relating to retirement benefits	2 1	4 7
Share based payments	(0.4)	0 1
Net (reduction)/addition to shareholders' deficit	<u>(12.3)</u>	<u>0 8</u>
Opening shareholders' deficit	(1.1)	(1 9)
Closing shareholders' deficit	<u>(13.4)</u>	<u>(1 1)</u>

### 27 Ultimate parent company

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 Trading Limited. Copies of the Group financial statements can be obtained from the Company Secretary, Marston's House, Brewery Road, Wolverhampton, WV1 4JT.

# MARSTON'S TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

### 28 Acquisitions and disposals

On 27 February 2009 certain assets and liabilities and the associated trade were sold to Marston's PLC  
These disposals are summarised below

	£m
Tangible fixed assets	1 0
Creditors	(0 2)
	<u>0 8</u>
Satisfied by	
Consideration	<u>0 8</u>

On 28 August 2009 certain assets and liabilities and the associated trade were sold to Marston's PLC  
These disposals are summarised below

	£m
Tangible fixed assets	0 9
Creditors	(0.1)
	<u>0.8</u>
Satisfied by	
Consideration	<u>0.8</u>