

PORTER BLACK (2003) LIMITED

ANNUAL REPORT

For the 52 weeks ended 29 September 2007

Registered Number 4825118

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PORTER BLACK (2003) LIMITED

ANNUAL REPORT

Period ended 29 September 2007

Contents	Page
Directors' report	2-3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7-11

PORTER BLACK (2003) 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 57 weeks ended 30 September 2006)

Principal activity, review of business and future developments

The principal activity of the Company was the ownership and management of an estate of managed and tenanted public houses. The Company ceased trading on 27 May 2006.

A 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 the Company's business. 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.

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

On 8 January 2007 the name of the ultimate parent company changed to Marston's PLC (formerly The Wolverhampton & Dudley Breweries, PLC).

The Company made a profit after taxation of £21,000 (2006 loss of £190,000).

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).

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).

PORTER BLACK (2003) 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.

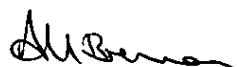
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

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 PORTER BLACK (2003) LIMITED

We have audited the financial statements of Porter Black (2003) Limited for the period ended 29 September 2007 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 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

PORTER BLACK (2003) LIMITED

PROFIT AND LOSS ACCOUNT

For the period ended 29 September 2007

	Notes	52 weeks ending 29 September 2007 £'000	57 weeks ending 30 September 2006 £'000
Turnover		-	2,077
Trading expenses	2	-	(2,829)
Operating loss		-	(752)
Interest receivable and similar income			
Before exceptional income	4	30	6
Exceptional income	4	-	1,000
Total interest receivable and similar income		30	1,006
Interest payable and similar charges			
Before exceptional charges	5	-	(215)
Exceptional charges	5	-	(143)
Total interest payable and similar charges		-	(358)
Profit/(loss) on ordinary activities before taxation		30	(104)
Taxation charge on profit/(loss) on ordinary activities	6	(9)	(86)
Profit/(loss) for the period	12	21	(190)

All results relate to discontinued operations

There is no difference between the result shown above and the result 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

PORTER BLACK (2003) LIMITED

BALANCE SHEET
At 29 September 2007

	Notes	29 September 2007 £'000	30 September 2006 £'000
Fixed assets			
Investments	7	5,168	-
Current assets			
Debtors – due after more than one year	8	610	5,748
Creditors (amounts falling due within one year)	9	(6,255)	(6,246)
Net current liabilities		(5,645)	(498)
Total assets less current liabilities		(477)	(498)
Creditors (amounts falling due after more than one year)	10	(350)	(350)
Net liabilities		(827)	(848)
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account	12	(828)	(849)
Total shareholders' deficit	13	(827)	(848)

The financial statements on pages 5 to 11 were approved by the Board on 30 November 2007 and were signed on its behalf by



Paul Inglett
Director
30 November 2007

PORTER BLACK (2003) LIMITED

NOTES

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

(b) Going concern

The Company's ultimate 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, Porter Black (2003) 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 represented the value of goods and services supplied to customers, and rents received from licensed properties. Rental income was recognised in respect of the period to which it related. Turnover was recorded net of discounts and VAT and arose solely within the United Kingdom

(e) Going concern

The Company's ultimate 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

(f) Investments

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

(g) 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

(h) 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

PORTER BLACK (2003) LIMITED

NOTES

2 Operating loss

Operating loss is stated after charging

	52 weeks ending 29 September 2007 £'000	57 weeks ending 30 September 2006 £'000
Depreciation of tangible fixed assets	-	85
Impairment of tangible fixed assets	-	958

Auditors' remuneration is borne by the ultimate parent company, Marston's PLC (formerly The Wolverhampton & Dudley Breweries, PLC). Payments to the Company's auditors for non-audit services totalled £nil (2006 £nil).

3 Employees and Directors

The monthly average number of employees during the period was

	52 weeks ending 29 September 2007 Number	57 weeks ending 30 September 2006 Number
Administrative staff	-	1
Operations staff	-	24
	-	25

Staff costs consist of

	52 weeks ending 29 September 2007 £'000	57 weeks ending 30 September 2006 £'000
Wages and salaries	-	228
Social security costs	-	16
	-	244

Directors were previously remunerated by Celtic Inns Limited, the immediate parent undertaking, with costs recharged to Porter Black (2003) Limited by way of a management recharge. With effect from 17 March 2006 the Directors received no remuneration in respect of their services to the Company.

4 Interest receivable and similar income

	52 weeks ending 29 September 2007 £'000	57 weeks ending 30 September 2006 £'000
Before exceptional income		
Financing income (note 8)	30	6
	30	6
Exceptional income		
Bank borrowings and associated interest waived on settlement	-	1,000
	30	1,006

PORTER BLACK (2003) LIMITED

NOTES

5 Interest payable and similar charges

	52 weeks ending 29 September 2007 £'000	57 weeks ending 30 September 2006 £'000
Before exceptional charges		
Bank interest and charges payable	-	205
Amortisation of loan issue expenses	-	10
	-	215
Exceptional charges		
Write-off of unamortised finance cost following settlement of bank borrowings	-	143
	-	358

6 Taxation

	52 weeks ending 29 September 2007 £'000	57 weeks ending 30 September 2006 £'000
Current tax Corporation tax on profit/(loss) for the period	9	86
Deferred tax	-	-
Taxation charge on profit/(loss) on ordinary activities	9	86

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

	52 weeks ending 29 September 2007 £'000	57 weeks ending 30 September 2006 £'000
Profit/(loss) on ordinary activities before tax	30	(104)
Profit/(loss) before tax multiplied by the UK corporation tax rate of 30% (2006 30%)	9	(31)
Effect of		
Capital allowances for the period in excess of depreciation	-	(12)
Unrelieved tax losses utilised	-	(174)
Expenses not deductible for tax purposes	-	303
Current period taxation charge	9	86

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

PORTER BLACK (2003) LIMITED

NOTES

7 Investments

	Preference shares £'000
Cost and net book value	
At 1 October 2006	-
Additions	5,168
At 29 September 2007	5,168

On conversion of the discounted convertible loan note (note 8) on 29 September 2007 the Company received 6,106,538 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 £5,168,000.

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

8 Debtors

	2007 £'000	2006 £'000
Amounts due after more than one year		
Discounted convertible loan note - due from Group undertaking	-	5,748
Loan note - Due from Group undertaking	610	-
	610	5,748

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 the Company's business (note 14). 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 £36,000 (2006: £6,000) 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).

9 Creditors (amounts falling due within one year)

	2007 £'000	2006 £'000
Amounts owed to Group undertakings	6,246	6,160
Corporation tax	9	86
	6,255	6,246

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

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

	2007 £'000	2006 £'000
Preference shares	350	350

Preference shares of £1 each

The Company has 350,000 authorised and issued preference shares of £1 each. On a return of assets on liquidation or otherwise, the preference shares rank first in respect of subscribed share capital. Any balance will be paid equally to the holders of the equity shares. Preference share holders are entitled to receive notice of and attend general meetings, but not to vote thereat.

PORTER BLACK (2003) LIMITED

NOTES

11 Share capital

Authorised

490 'A' ordinary shares of £1 each

510 'B' ordinary shares of £1 each

2007	2006
£	£
490	490
510	510
1,000	1,000

Allotted, issued and fully paid

490 'A' ordinary shares of £1 each

510 'B' ordinary shares of £1 each

2007	2006
£	£
490	490
510	510
1,000	1,000

'A' and 'B' ordinary shares of £1 each

No dividend shall be paid without the consent of the holders of a majority in nominal value of each class of ordinary share. On a return of assets or otherwise, the shares rank second, behind the preference shares (note 10) in respect of subscribed share capital. Each share attracts one vote.

12 Reserves

At 1 October 2006

Profit for the financial period

At 29 September 2007

Profit and loss account £'000

(849)

21

(828)

13 Reconciliation of movement in shareholders' deficit

Profit/(loss) for the financial period

Revaluation of properties

Net addition to shareholders' funds

Opening shareholders' deficit

Closing shareholders' deficit

52 weeks ending 29 September 2007 £'000	57 weeks ending 30 September 2006 £'000
21	(190)
-	259
21	69
(848)	(917)
(827)	(848)

14 Disposal of business

On 27 May 2006 the Company ceased trading and sold its public houses to Marston's Estates Limited (formerly W&DB Estates Limited) for £5.5m, generating no profit or loss on disposal. Stocks, debtors and creditors were also transferred to Marston's Estates Limited (formerly W&DB Estates Limited) at their net book value.

15 Ultimate parent undertaking

The immediate parent undertaking is Celtic Inns Limited. The Company's 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 Porter Black (2003) Limited. Copies of the Group financial statements can be obtained from the Company Secretary, Marston's House, Brewery Road, Wolverhampton, WV1 4JT.