

COMPANY REGISTRATION NUMBER 4825118

PORTER BLACK (2003) LIMITED
ANNUAL REPORT
FOR THE PERIOD ENDED 4 OCTOBER 2008

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PORTER BLACK (2003) LIMITED

FINANCIAL STATEMENTS

Period ended 4 October 2008

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PORTER BLACK (2003) LIMITED

DIRECTORS' REPORT

Period ended 4 October 2008

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

Principal activities and business review

The company did not trade in the current or prior period.

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

Future developments

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

Results and dividends

The profit for the period, after taxation, amounted to £602,000 (2007: profit of £21,000). The Directors have not recommended a dividend (2007: £nil).

Principal risks and uncertainties

The principal risks and uncertainties of the Company are integrated with the principal risks of the Marston's 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.

Further, the key performance indicators (KPIs), and financial risk management of the Company are integrated with that of the Marston's PLC 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 Group 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
D Andrew
S J Oliver
R Findlay
P Inglett

PORTER BLACK (2003) LIMITED

DIRECTORS' REPORT *(continued)*

Period ended 4 October 2008

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;
- 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors and disclosure of information to auditors

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

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

A resolution to re-appoint PricewaterhouseCoopers LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the Directors



Anne-Marie Brennan
Company Secretary

Approved by the Directors on 5 December 2008

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 4 October 2008 which comprise the profit and loss account, balance sheet and the related notes. These financial statements have been prepared on the basis of 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 judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 4 October 2008 and of its profit for the 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 & Registered Auditors

Birmingham

5 December 2008

PORTER BLACK (2003) LIMITED

PROFIT AND LOSS ACCOUNT

Period ended 4 October 2008

	Note	2008 £000	2007 £000
Interest receivable	3	615	30
Profit on ordinary activities before taxation		615	30
Tax on profit on ordinary activities	4	(13)	(9)
Profit for the period		602	21

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.

The Company has no recognised gains or losses other than the results for the period as set out above.

The notes on pages 6 to 10 form part of these financial statements.

PORTER BLACK (2003) LIMITED

BALANCE SHEET

As at 4 October 2008

	Note	2008 £000	2007 £000
Fixed assets			
Investments	5	<u>5,168</u>	<u>5,168</u>
Current assets			
Debtors due within one year	6	615	—
Debtors due after one year	6	<u>610</u>	<u>610</u>
		1,225	610
Creditors: Amounts falling due within one year	7	<u>(6,268)</u>	<u>(6,255)</u>
Net current liabilities		<u>(5,043)</u>	<u>(5,645)</u>
Total assets less current liabilities		125	(477)
Creditors: Amounts falling due after more than one year	8	<u>(350)</u>	<u>(350)</u>
Net liabilities		<u>(225)</u>	<u>(827)</u>
Capital and reserves			
Called-up share capital	9	1	1
Profit and loss account	10	<u>(226)</u>	<u>(828)</u>
Total shareholders' deficit	11	<u>(225)</u>	<u>(827)</u>

These financial statements on pages 4 to 10 were approved by the Directors and authorised for issue on 5 December 2008, and are signed on their behalf by:



Paul Inglett
Director
5 December 2008

The notes on pages 6 to 10 form part of these financial statements.

PORTER BLACK (2003) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 4 October 2008

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.

(b) Going concern

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

(c) Cash flow statement and related party disclosures

The Company is a wholly-owned subsidiary of Marston's PLC and is included in the consolidated financial statements of that company, which are publicly available. Consequently, Porter Black (2003) Limited has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised). The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Marston's PLC Group.

(d) 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.

(e) Investments

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

(f) Discounted convertible loan note

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

2. Employees and auditors' remuneration

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

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

PORTER BLACK (2003) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 4 October 2008

3. Interest receivable

	2008 £000	2007 £000
Other loan interest receivable	44	-
Dividend on preference shares held in Marston's Estates Limited	571	-
Financing income	-	30
	<u>615</u>	<u>30</u>

4. Taxation on ordinary activities

(a) Analysis of charge in the period

	2008 £000	2007 £000
Current tax:		
UK Corporation tax based on the results for the period	13	9
Total current tax	<u>13</u>	<u>9</u>

(b) Factors affecting current tax charge

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

	2008 £000	2007 £000
Profit on ordinary activities before taxation	<u>615</u>	<u>30</u>
Profit on ordinary activities multiplied by the Corporation tax rate	178	9
Effect of:		
UK dividend income	(165)	-
Total current tax (note 4(a))	<u>13</u>	<u>9</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 this accounting period are taxed at an effective rate of 29% and will be taxed at 28% in the future.

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

(c) Factors that may affect future tax charges

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

PORTER BLACK (2003) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 4 October 2008

5. Investments

	Preference shares £000
Cost	
At 30 September 2007 and 4 October 2008	<u>5,168</u>
Net book value	
At 4 October 2008	<u>5,168</u>
At 29 September 2007	<u>5,168</u>

On conversion of the discounted convertible loan note (note 6) 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. 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.

6. Debtors

	2008 £000	2007 £000
Loan note - Due from Group undertaking	610	610
Other debtors	<u>615</u>	<u>-</u>
	<u>1,225</u>	<u>610</u>

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

	2008 £000	2007 £000
Loan note - Due from Group undertaking	<u>610</u>	<u>610</u>

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

The loan note converted into a mixture of preference shares (note 5) and new debt on 29 September 2007 when certain conditions relating to 12 month LIBOR borrowing rates were met. Interest is receivable on the new loan note at LIBOR plus a margin.

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

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

7. Creditors: Amounts falling due within one year

	2008 £000	2007 £000
Amounts owed to Group undertakings	6,255	6,246
Corporation tax	<u>13</u>	<u>9</u>
	<u>6,268</u>	<u>6,255</u>

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

PORTER BLACK (2003) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 4 October 2008

8. Creditors: Amounts falling due after more than one year

	2008 £000	2007 £000
Preference shares	<u>350</u>	<u>350</u>

Preference shares of £1 each

The Company has 350,000 authorised and issued cumulative redeemable preference shares of £1 each. The shares are redeemable in October 2013. 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.

9. Share capital

Authorised share capital:

	2008 £000	2007 £000
490 'A' ordinary shares of £1 each	-	-
510 'B' ordinary shares of £1 each	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

Allotted, called up and fully paid:

	2008 Number	£000	2007 Number	£000
'A' ordinary shares of £1 each	490	-	490	-
'B' ordinary shares of £1 each	<u>510</u>	<u>1</u>	<u>510</u>	<u>1</u>
	<u>1,000</u>	<u>1</u>	<u>1,000</u>	<u>1</u>

'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 8) in respect of subscribed share capital. Each share attracts one vote.

10. Profit and loss account

	2008 £000	2007 £000
Balance brought forward	(828)	(849)
Profit for the period	<u>602</u>	<u>21</u>
Balance carried forward	<u>(226)</u>	<u>(828)</u>

11. Reconciliation of movements in shareholders' deficit

	2008 £000	2007 £000
Profit for the period	602	21
Opening shareholders' deficit	<u>(827)</u>	<u>(848)</u>
Closing shareholders' deficit	<u>(225)</u>	<u>(827)</u>

PORTER BLACK (2003) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 4 October 2008

12. Ultimate parent company

The immediate parent undertaking is Celtic Inns Limited. The Company's 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 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.