

Company Registration No. SC 171504 (Scotland)

SECOND MACLAY PUB COMPANY PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 2 OCTOBER 2010



S0001CF5
SCT 31/03/2011 #21
COMPANIES HOUSE

Saffery Champness
CHARTERED ACCOUNTANTS

SECOND MACLAY PUB COMPANY PLC

COMPANY INFORMATION

| | |
|-----------------------------|---|
| Directors | K C Gilhespie S G Mallon |
| Secretary | S G Mallon |
| Company number | SC 171504 |
| Registered office | Unit 2/4 The e-Centre Cooperage Way Business Village Alloa FK10 3LP |
| Independent Auditors | Saffery Champness Edinburgh Quay 133 Fountainbridge Edinburgh EH3 9BA |
| Bankers | Bank of Scotland The Mound Edinburgh EH1 1YZ Alliance & Leicester Commercial Bank plc Customer Service Centre Bootle Merseyside GIR 0AA |
| Solicitors | Tods Murray LLP Edinburgh Quay 133 Fountainbridge Edinburgh EH3 9AG |

SECOND MACLAY PUB COMPANY PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 2 OCTOBER 2010

The directors present their report and financial statements for the year ended 2 October 2010.

Principal activities and review of the business

Second Maclay Pub Company Plc ("the company") owns a public house. This is operated by the immediate parent company, Maclay Inns Limited.

Turnover is £509,896 (2009 - £592,295). An operating loss of £39,570 (2009 - loss of £2,445) is reported for the year. The prior year has a 53 week period.

Net assets are £2,487,381 (2009 - £2,686,365) and the directors consider this to be a robust performance in difficult market conditions.

Principal risks and uncertainties

1. Economic

Risks:

The impact of the recession since 2009 and the continuing economic uncertainty and consequential impact on consumer expenditure have the potential to affect the business. Significant cuts in public spending have already been announced and the increase in VAT announced in the recent budget will have an impact on levels of consumer discretionary spending. Further changes to the inflation and cost environment will remain an ongoing risk. Property values are also impacted by the economic uncertainty.

Mitigation processes:

The board and the senior management team regularly review the impact of the economic conditions on the company's financial performance and its strategic plans, to ensure that it maintains its competitive position in the market. By prioritising excellent quality, service, value for money and up-to-date product offers, the aim is to broaden the appeal to customers. The company tries to foster mutually beneficial and long-term relationships with suppliers whilst at the same time driving down costs where ever possible. The directors' continue to regularly assess the long term value of each of the company's sites and make decisions on a site by site basis around further improvements, operational focus for poorer performing sites and appropriate impairments where necessary. The company has tried to diversify the business in respect of customer groups and geographical location in order to minimise the impact of the recession in any one specific area.

2. Regulatory

Risks:

The last few years have seen an increased focus on alcohol consumption, in regard to both its impact on the health of drinkers and on wider law and order issues. There is a risk of further legislation in these areas which may adversely impact the business.

The company also has to deal with increasing regulatory requirements and the additional costs that these bring.

The business strives to comply with legislative requirements in areas such as licensing and health and safety, any or all of which may adversely affect it or cause harm to employees or the customers if not attended to.

SECOND MACLAY PUB COMPANY PLC

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 2 OCTOBER 2010

Mitigation processes:

The strategy in place continues to address the need to diversify the business, with increasing emphasis on food within the company's units. The company is committed to acting as a responsible retailer and are actively engaging with government to ensure that it recognises the belief that the safest and most responsible place to consume alcohol is in well-managed licensed on-trade premises.

There are a range of policies and procedures in place, including training, improved reporting and regular monitoring, to ensure compliance with existing regulatory requirements, including health and safety, fire safety and food safety. The company works closely with licensing authorities across the country to ensure licensing requirements are dealt with whenever appropriate.

3. Supply chain risks

Risks:

The company works with a number of key suppliers (particularly in relation to food, beer, wines and spirits) and third party distributors to supply the pubs and restaurants. There is therefore a risk of interruption of supply and of failure of such key suppliers or distributors.

Mitigation processes:

The company works closely with our third-party suppliers, producers and supply chain partners to ensure that relationships with them are positive and constructive at all times. The financial position of our major suppliers is regularly reviewed to assess the risk of them ceasing to be able to trade. It is the directors' opinion that due to the non-specialist nature of our products the company would be able to source alternative supply arrangements should one of the business' suppliers cease to trade.

4. Reputational risks

Risks:

The company is a consumer facing business. Its reputation could be damaged by a failure to properly execute business models, litigation, regulatory intervention, major health and safety failures or poor handling of customer complaints. This in turn could lead to a loss of trade and a reduction in our perceived valuation by key stakeholders.

Mitigation processes:

The company endeavours to maintain tight controls to protect and enhance its reputation and values. The business is constantly focused on consistency and quality, with staff training, targeted investment programmes and mystery guest visits all designed to help maintain standards, and have systems in place to escalate and respond to relevant incidents. The company's health and safety policies are regularly reviewed to ensure compliance with relevant legislation.

SECOND MACLAY PUB COMPANY PLC

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 2 OCTOBER 2010

5. Financial and systems controls risks

Risks:

It is vital to the business that it continues to meet the financial covenants in place and to ensure that there is sufficient short term financing to meet its business needs. The company is exposed to interest rate risk on the variable rate components of its financing. It is also reliant on maintaining sound systems of internal control and on its information systems and technology to ensure the smooth operation of the business without risk of fraud or material error.

Mitigation processes:

The directors' constantly monitor performance against the financial covenants in place and undertake detailed stress-testing of the company's performance against those covenants on a regular basis. Working capital is closely managed and carefully forecast.

Results and dividends

The results for the year are set out on page 7.

Key performance indicators

In order to maintain a full understanding of the development, performance and position of the business a full review of key performance indicators is carried out within internal monthly management accounts.

The company considers its key performance indicators to be:

- Like for like sales performance (-12.2%) is a key indicator of company performance.
- Operating profit/(loss) before exceptional operating items is deemed to be the primary indicator of trading performance in any given period. During the year the loss increased to £39,570.

Future developments

The markets in which the company operates remain competitive and fast changing. The company continues to invest in refurbishing its units and training its staff as the directors regard it as integral to the future success of the company that it provides facilities and services which meet customers' expectations.

Directors

The following directors have held office since 4 October 2009:

K C Gilhespie
S G Mallon

Creditor payment policy

The company maintains a policy of paying creditors in line with the agreed terms of trade applicable to each individual creditor. Company creditor days at 2 October 2010 equated to 30 days (2009 - 20 days).

SECOND MACLAY PUB COMPANY PLC

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 2 OCTOBER 2010

Auditors

Saffery Champness have expressed their willingness to remain in office as auditors of the company.

MJ Floyd, a partner in Saffery Champness, auditors to the company, has a non beneficial interest in the parent company, as a trustee of a trust that holds 153,200 ordinary 'A' shares (2009 - 153,200) and 17,000 ordinary 'B' shares (2009 - 17,000) in the company at the balance sheet date.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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:

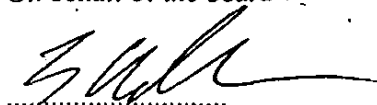
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



S G Mallon

Director

23/3/11

SECOND MACLAY PUB COMPANY PLC

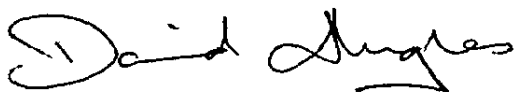
INDEPENDENT AUDITORS' REPORT (continued)

TO THE MEMBERS OF SECOND MACLAY PUB COMPANY PLC

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.



David Hughes (Senior Statutory Auditor)
for and on behalf of Saffery Champness

24. 3. 2011

Chartered Accountants
Statutory Auditors

Edinburgh Quay
133 Fountainbridge
Edinburgh
EH3 9BA

SECOND MACLAY PUB COMPANY PLC**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 2 OCTOBER 2010**

| | | Year ended 2 October 2010 £ | 53 Weeks ended 3 October 2009 £ |
|--|--------------|--|--|
| | Notes | | |
| Turnover | 2 | 509,896 | 592,295 |
| Cost of sales | | (545,482) | (590,805) |
| Gross (loss)/profit | | (35,586) | 1,490 |
| Administrative expenses | | (3,984) | (3,935) |
| Loss on ordinary activities before taxation | 3 | (39,570) | (2,445) |
| Tax on loss on ordinary activities | 4 | (7,279) | (4,187) |
| Loss for the year | 11 | (46,849) | (6,632) |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 10 to 16 form part of these financial statements.

SECOND MACLAY PUB COMPANY PLC

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 2 OCTOBER 2010**

| | Notes | Year ended 2 October 2010 £ | 53 Weeks ended 3 October 2009 £ |
|---|-------|---|---|
| Loss for the financial year | | (46,849) | (6,632) |
| Unrealised deficit on revaluation of properties | | (154,032) | (8,165) |
| Total recognised gains and losses relating to the year | | (200,881) | (14,797) |
| Prior year adjustment | 11 | - | (20,410) |
| Total gains and losses recognised since last financial statements | | (200,881) | (35,207) |

NOTE OF HISTORICAL COST PROFITS AND LOSSES

| | Year ended 2 October 2010 £ | 53 Weeks ended 3 October 2009 £ |
|--|---|---|
| Reported loss on ordinary activities before taxation | (39,570) | (2,445) |
| Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount | 16,789 | 5,642 |
| Historical cost (loss)/profit on ordinary activities before taxation | (22,781) | 3,197 |
| Historical cost loss for the year retained after taxation, extraordinary items and dividends | (30,060) | (990) |

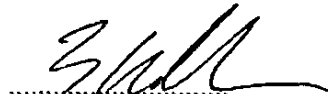
SECOND MACLAY PUB COMPANY PLC

BALANCE SHEET AS AT 2 OCTOBER 2010

| | Notes | £ | 2010 £ | £ | 2009 £ |
|---|-------|-----------|-----------|-----------|-----------|
| Fixed assets | | | | | |
| Tangible assets | 5 | | 1,000,000 | | 1,115,000 |
| Current assets | | | | | |
| Stocks | 6 | 6,958 | | 8,509 | |
| Debtors | 7 | 1,793,571 | | 1,895,389 | |
| | | 1,800,529 | | 1,903,898 | |
| Creditors: amounts falling due within one year | 8 | (285,258) | | (305,257) | |
| Net current assets | | | 1,515,271 | | 1,598,641 |
| Total assets less current liabilities | | | 2,515,271 | | 2,713,641 |
| Provisions for liabilities | 9 | | (27,890) | | (27,276) |
| | | | 2,487,381 | | 2,686,365 |
| Capital and reserves | | | | | |
| Called up share capital | 10 | | 500,002 | | 500,002 |
| Share premium account | 11 | | 458,365 | | 458,365 |
| Revaluation reserve | 11 | | 128,776 | | 280,911 |
| Profit and loss account | 11 | | 1,400,238 | | 1,447,087 |
| Shareholders' funds | 12 | | 2,487,381 | | 2,686,365 |

The notes on pages 10 to 16 form part of these financial statements.

Approved by the Board and authorised for issue on 23/3/11


S G Mallon
Director

Company Registration No. SC 171504

SECOND MACLAY PUB COMPANY PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 2 OCTOBER 2010

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain tangible fixed assets.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable from the sale of goods within the company's public houses.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at valuation less depreciation, other than heritable land, which is not depreciated. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

| | |
|--------------------------------|----------------------|
| Heritable property | 2% straight line |
| Fixtures, fittings & equipment | 18% reducing balance |

1.5 Stock

Stock is valued at the lower of cost and net realisable value.

1.6 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Deferred taxation is not recognised on timing differences arising when properties are revalued, unless, by the balance sheet date, the reporting entity has entered into a binding agreement to sell the revalued assets and recognised the gains and losses expected to arise on the sale.

A deferred tax asset is recognised when it is more than likely that an inflow of economic benefits will take place, and that a reliable estimate can be made as to the amount of the benefit.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

SECOND MACLAY PUB COMPANY PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 2 OCTOBER 2010**

| | | |
|--|-------------|-------------|
| 3 Operating loss | 2010 | 2009 |
| | £ | £ |
| Operating loss is stated after charging: | | |
| Depreciation of tangible assets | 30,754 | 29,149 |

Auditor remuneration is not disclosed for the year, as this information is available in the group consolidated financial statements.

| | | |
|----------------------------------|--------------|--------------|
| 4 Taxation | 2010 | 2009 |
| | £ | £ |
| Domestic current year tax | | |
| U.K. corporation tax | - | 4,187 |
| Adjustment for prior years | 6,665 | - |
| Total current tax | 6,665 | 4,187 |
| Deferred tax | | |
| Deferred tax - current year | 481 | - |
| Deferred tax - prior year | 133 | - |
| | 614 | - |
| | 7,279 | 4,187 |

Factors affecting the tax charge for the period

| | | |
|---|----------|---------|
| Loss on ordinary activities before taxation | (39,570) | (2,445) |
|---|----------|---------|

Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2009 - 21.00%)

| | |
|----------|-------|
| (11,080) | (513) |
|----------|-------|

Effects of:

| | | |
|---------------------------------|---------------|--------------|
| Non deductible expenses | - | 442 |
| Depreciation add back | 8,611 | 6,121 |
| Capital allowances | (2,426) | (979) |
| Adjustments to previous periods | 6,665 | - |
| Other tax adjustments | 4,895 | (884) |
| | 17,745 | 4,700 |

Current tax charge for the period

| | |
|--------------|--------------|
| 6,665 | 4,187 |
|--------------|--------------|

SECOND MACLAY PUB COMPANY PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 2 OCTOBER 2010**

5 Tangible fixed assets

| | Heritable property | Fixtures, fittings & equipment | Total |
|--------------------------|-------------------------------|---|--------------|
| | £ | £ | £ |
| Cost or valuation | | | |
| At 4 October 2009 | 1,173,082 | 139,708 | 1,312,790 |
| Additions | 42,683 | 25,206 | 67,889 |
| Revaluation | (152,135) | - | (152,135) |
| At 2 October 2010 | 1,063,630 | 164,914 | 1,228,544 |
| Depreciation | | | |
| At 4 October 2009 | 76,261 | 121,529 | 197,790 |
| Charge for the year | 19,387 | 11,367 | 30,754 |
| At 2 October 2010 | 95,648 | 132,896 | 228,544 |
| Net book value | | | |
| At 2 October 2010 | 967,982 | 32,018 | 1,000,000 |
| At 3 October 2009 | 1,096,821 | 18,179 | 1,115,000 |

Fixed assets are included at valuation as carried out by independent valuers Graham & Sibbald in October 2010. Additions in the year are included at cost.

Comparable historical cost for the land and buildings included at valuation:

| | £ |
|---------------------------------------|----------|
| Cost | |
| At 4 October 2009 & at 2 October 2010 | 980,687 |
| Depreciation based on cost | |
| At 4 October 2009 | 95,498 |
| Charge for the year | 13,965 |
| At 2 October 2010 | 109,463 |
| Net book value | |
| At 2 October 2010 | 871,224 |

SECOND MACLAY PUB COMPANY PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 2 OCTOBER 2010**

| | | | |
|----------|---|-------------|-------------|
| 6 | Stocks | 2010 | 2009 |
| | | £ | £ |
| | Finished goods and goods for resale | 6,958 | 8,509 |
| | | | |
| 7 | Debtors | 2010 | 2009 |
| | | £ | £ |
| | Trade debtors | 5,585 | - |
| | Amounts owed by parent and fellow subsidiary undertakings | 1,774,139 | 1,878,434 |
| | Corporation tax | - | 6,665 |
| | Other debtors | 172 | 172 |
| | Prepayments and accrued income | 13,675 | 10,118 |
| | | 1,793,571 | 1,895,389 |
| 8 | Creditors: amounts falling due within one year | 2010 | 2009 |
| | | £ | £ |
| | Amounts owed to parent and fellow subsidiary undertakings | 285,242 | 285,242 |
| | Corporation tax | - | 4,187 |
| | Accruals and deferred income | 16 | 15,828 |
| | | 285,258 | 305,257 |

SECOND MACLAY PUB COMPANY PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 2 OCTOBER 2010**

9 Provisions for liabilities

| | Deferred tax liability £ |
|---------------------------|---|
| Balance at 4 October 2009 | 27,276 |
| Profit and loss account | 614 |
| | <u>27,890</u> |
| Balance at 2 October 2010 | <u>27,890</u> |

The deferred tax liability is made up as follows:

| | 2010 £ | 2009 £ |
|--------------------------------|-------------------|-------------------|
| Accelerated capital allowances | <u>27,890</u> | <u>27,276</u> |

10 Share capital

| | 2010 £ | 2009 £ |
|---|-------------------|-------------------|
| Allotted, called up and fully paid | | |
| 1 A Ordinary share of 50p each | 1 | 1 |
| 1,000,003 Ordinary shares of 50p each | <u>500,001</u> | <u>500,001</u> |
| | <u>500,002</u> | <u>500,002</u> |

Each of the categories of ordinary shares rank pari passu in terms of voting, dividends and rights upon a winding up. The A Ordinary share has rights attached to it which requires the company to seek the approval of the A Ordinary share prior to setting directors' remuneration, undertaking any acquisitions or disposals of property, declaring dividends, incurring borrowings over £10,000, granting securities, altering share capital or altering the Memorandum and Articles of Association.

SECOND MACLAY PUB COMPANY PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 2 OCTOBER 2010

11 Statement of movements on reserves

| | Share premium account £ | Revaluation reserve £ | Profit and loss account £ |
|-------------------------------|----------------------------|--------------------------|------------------------------|
| Balance at 4 October 2009 | 458,365 | 280,911 | 1,447,087 |
| Loss for the period | - | - | (46,849) |
| Revaluation during the period | - | (152,135) | - |
| Balance at 2 October 2010 | <u>458,365</u> | <u>128,776</u> | <u>1,400,238</u> |

12 Reconciliation of movements in shareholders' funds

| | 2010 £ | 2009 £ |
|--------------------------------------|------------------|------------------|
| Loss for the financial year | (46,849) | (6,632) |
| Other recognised gains and losses | (152,135) | (8,165) |
| Net depletion in shareholders' funds | (198,984) | (14,797) |
| Opening shareholders' funds | <u>2,686,365</u> | <u>2,701,162</u> |
| Closing shareholders' funds | <u>2,487,381</u> | <u>2,686,365</u> |

13 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

| 2010 Number | 2009 Number |
|----------------|----------------|
| <u>2</u> | <u>2</u> |

14 Control

In the opinion of the directors, the company's ultimate holding company at 2 October 2010 was Maclay Group Plc, which is a company registered in Scotland. At 2 October 2010, the ultimate controlling party was the Blackwood No.2 Trust.

SECOND MACLAY PUB COMPANY PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 2 OCTOBER 2010**

15 Related party relationships and transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.