COMPANY REGISTRATION NUMBER 5453370

MARSTON'S PUBS PARENT LIMITED

ANNUAL REPORT

1 OCTOBER 2011

MARSTON'S PUBS PARENT LIMITED

FINANCIAL STATEMENTS

Period ended 1 October 2011

Contents

MARSTON'S PUBS PARENT LIMITED

DIRECTORS' REPORT

Period ended 1 October 2011

The Directors present their report and the consolidated financial statements of the Group for the period ended 1 October 2011.

The financial statements of the Group cover the 52 weeks ended 1 October 2011 (2010: 52 weeks ended 2 October 2010).

Principal activity and business review
The Group's principal activity is operating managed, tenanted and leased public houses.

The principal activity of the Company is that of a holding and investment company.

The Directors of Marston's PLC manage the Marston's Group's operations on a divisional, rather than statutory entity basis. The development, performance and position of the Marston's Group which includes the Company and Group 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 amounted to £6.5m. The Directors have not recommended a dividend.

Principal risks and uncertainties
The principal risks and uncertainties of the Company and the Group are integrated with the principal risks of the Marston's Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Marston's Group which include those of the Company and the Group 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 and the Group are integrated with that of the Marston's Group and are not assessed separately. An analysis of the KPIs of the Marston's Group, which include those of the Company and the Group, together with the Marston's 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 were as follows:

A Darby	
A Andrea	
S J Oliver	
R Findlay	
P Dalzell	(Appointed 1 October 2011)
D Andrew	(Resigned 1 October 2011)

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 the Group and of the profit or loss of the Group for that period. In preparing those 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 Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Signed by order of the Directors

Anne-Marie Brennan
Company Secretary

Approved by the Directors on 30 November 2011

Company Registration Number: 5453370

MARSTON'S PUBS PARENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARSTON'S PUBS PARENT LIMITED

We have audited the financial statements of Marston's Pubs Parent Limited for the period ended 1 October 2011 which comprise the Group profit and loss account, the Group statement of total recognised gains and losses, the Group and Company balance sheets 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 set out on page 2, 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 and express an opinion on 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 (APB'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 Chapter 3 of Part 16 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Company and the Group as at 1 October 2011 and of the loss of the Group 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 matter
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.

Keith Hg

KEITH HARRINGTON (Senior Statutory Auditor)
For and on behalf of
PRICEWATERHOUSECOOPERS LLP
Chartered Accountants & Statutory Auditors

Birmingham

30 November 2011

MARSTON'S PUBS PARENT LIMITED

GROUP PROFIT AND LOSS ACCOUNT

Period ended 1 October 2011

	Note	2011 £m	2010 £m
Turnover	2	**385.6**	360.0
Trading expenses excluding exceptional items		**(284.0)**	(262.6)
Exceptional items	6	**-**	(0.6)
Trading expenses	3	**(284.0)**	(263.2)
Operating profit	4	**101.6**	96.8
Profit on disposal of fixed assets		**0.7**	0.4
		102.3	97.2
Interest receivable	7	**1.3**	1.5
Interest payable and similar charges	8	**(110.5)**	(111.5)
Loss on ordinary activities before taxation		**(6.9)**	(12.8)
Tax on loss on ordinary activities	9	**0.4**	(1.9)
Loss for the financial period		**(6.5)**	(14.7)

All of the activities of the Group are classed as continuing.

MARSTON'S PUBS PARENT LIMITED

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Period ended 1 October 2011

	2011 **£m**	2010 £m
Loss for the financial period attributable to the shareholders	**(6.5)**	(14.7)
Reversal of past revaluation surplus	**-**	(0.1)
Total gains and losses recognised since the last annual report	**(6.5)**	(14.8)

The notes on pages 7 to 20 form part of these financial statements.

MARSTON'S PUBS PARENT LIMITED

BALANCE SHEETS

1 October 2011

	Note	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Fixed assets					
Intangible assets	10	153.8	164.9	–	–
Tangible assets	11	1,427.6	1,391.3	–	–
Investments	12	–	–	–	–
		1,581.4	1,556.2	–	–
Current assets					
Assets held for sale	15	5.6	7.8	–	–
Stocks	13	4.4	3.1	–	–
Debtors	14	40.7	38.6	–	–
Cash at bank and in hand		60.8	44.5	–	–
		111.5	94.0	–	–
Creditors: amounts falling due within one year	16	(97.4)	(68.1)	–	–
Net current assets		14.1	25.9	–	–
Total assets less current liabilities		1,595.5	1,582.1	–	–
Creditors: amounts falling due after more than one year	17	(1,544.2)	(1,524.4)	–	–
Provisions for liabilities					
Deferred taxation	20	(17.4)	(17.3)	–	–
Net assets		33.9	40.4	–	–
Capital and reserves					
Share capital	23	–	–	–	–
Revaluation reserve	24	131.4	131.4	–	–
Profit and loss account	24	(97.5)	(91.0)	–	–
Shareholders' funds	25	33.9	40.4	–	–

These financial statements were approved by the Directors and authorised for issue on 30 November 2011, and are signed on their behalf by:

Andrew Andrea
Director

30 November 2011

The notes on pages 7 to 20 form part of these financial statements.

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and in accordance with applicable accounting standards.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Accounting policies applied are consistent with the prior period.

(b) Basis of consolidation

The audited consolidated financial statements incorporate the audited financial statements of Marston's Pubs Parent Limited and its subsidiary undertaking, Marston's Pubs Limited, for the 52 weeks ended 1 October 2011 (2010: 52 weeks ended 2 October 2010).

The results of new subsidiary undertakings are included in the Group accounts from the date on which control transferred to the Group or, in the case of disposals, up to the effective date of disposal. Transactions between Group companies are eliminated on consolidation.

(c) Cash flow statement

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, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised).

(d) Related party transactions

The Company is a wholly-owned subsidiary of Marston's PLC, the consolidated accounts of which are publicly available. Accordingly, the Company has taken advantage of the exemption in FRS 8 from disclosing transactions with members of the Marston's Group.

(e) Turnover

Turnover comprises the value of goods and services supplied to customers. Turnover is recorded net of discounts and VAT, and arises solely within the United Kingdom. Turnover in respect of drink, food and accommodation is recognised at the point at which the goods or services are provided. Gaming machine income is recognised as earned. Rental income is recognised in respect of the period to which it relates.

(f) Goodwill

Goodwill held on the balance sheet relates to the acquisition of pubs and the associated trade and business from the group headed by Marston's PLC. 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) Amortisation

Amortisation 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:

Goodwill	-	Up to a presumed maximum of 20 years

1. Accounting policies ***(continued)***

(h) Tangible fixed assets

Freehold and leasehold properties are stated at valuation or at cost. Plant, fixtures and fittings are stated at cost.

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 to the extent that they reverse previously charged impairment losses, in which case the reversal is recorded in the profit and loss account.

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

(i) 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:

Freehold property	-	50 years
Leasehold property	-	the lower of the lease period and 50 years
Plant, fixtures and fittings	-	3 to 15 years

Land is not depreciated.

(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) Operating leases

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

(l) Current and deferred tax

Current tax is calculated on the basis of the laws enacted or substantively enacted at the balance sheet date and is measured at the amount expected to be paid to or recovered from the tax authorities.

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 Group'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.

(m) Assets held for sale

Assets, typically properties and related 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 Group 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.

(n) Financial derivatives

Financial derivatives are held at cost and are released to the profit and loss account over the term of the associated debt at a constant rate on the carrying amount.

(o) Exceptional items

Exceptional items are items that, by virtue of their nature, size or expected frequency, warrant separate disclosure in the financial statements in order to fully understand the Group's underlying performance.

2. Turnover

An analysis of turnover is given below:

	2011 £m	2010 £m
Marston's Inns and Taverns - managed	**214.6**	201.6
Marston's Pub Company - tenanted	**171.0**	158.4
	385.6	360.0

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

Details of the full results of the divisions above are included in the Marston's PLC Annual Report.

3. Trading expenses

	2011 £m	2010 £m
Change in stocks of finished goods	**(1.1)**	(0.3)
Other operating income	**(1.3)**	(2.4)
Raw materials and consumables	**131.0**	123.1
Staff costs recharged from Group undertakings	**66.9**	62.6
Depreciation and other amounts written off tangible and intangible fixed assets and assets held for sale	**29.4**	29.3
Other net operating charges	**59.1**	50.9
	284.0	263.2

Included within other net operating charges is an exceptional credit of £nil (2010: £0.4m) in relation to the VAT refund and an exceptional charge of £nil (2010: £1.0m) in relation to property related insurance claims.

4. Operating profit

Operating profit is stated after charging:

	2011 £m	2010 £m
Amortisation of intangible assets	**10.8**	10.9
Depreciation of owned fixed assets	**18.4**	17.7
Operating lease costs:		
- Plant and equipment	**3.3**	2.7
- Other	**0.3**	0.2

Auditors' remuneration is borne by the ultimate parent company, Marston's PLC. The Company incurred no non-audit fees during the period (2010: £nil).

5. Employees

During the period the Group paid £66.9m (2010: £62.6m) to Marston's Trading Limited to procure the secondment of employees.

Pension contributions in respect of the employees seconded to the Group were borne by Marston's Trading Limited. The Directors are also employed by Marston's Trading Limited and their remuneration for services to the Marston's Group is shown in the consolidated financial statements of Marston's PLC.

MARSTON'S PUBS PARENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 1 October 2011

6. Exceptional items

	2011 £m	2010 £m
Recognised in arriving at operating profit:		
Property related insurance claims	-	(1.0)
VAT refund	-	0.4
	-	(0.6)

During the prior period a refund of £0.4m was received from HM Revenue & Customs, in relation to VAT on gaming machine income earned by the Group.

During the prior period property related insurance claim costs of £1.0m were incurred. These principally related to flooding and fire claims. A condition of the Marston's Group's insurance policy is that it is responsible for a portion of the claim.

There is a tax credit of £nil (2010: £0.2m) in respect of the above exceptional items.

7. Interest receivable

	2011 £m	2010 £m
Bank interest receivable	0.2	0.4
Release of interest rate swaps	1.1	1.1
	1.3	1.5

8. Interest payable and similar charges

	2011 £m	2010 £m
Securitised debt	60.3	61.5
Subordinated loan from Group undertaking	49.6	49.1
Other similar charges	0.6	0.9
	110.5	111.5

9. Taxation

(a) Analysis of charge in the period

	2011 £m	2010 £m
Current tax:		
In respect of the period:		
UK Corporation tax based on the results for the period	**(0.2)**	(1.0)
Adjustments in respect of prior periods	**(0.3)**	(3.5)
Total current tax	**(0.5)**	(4.5)
Deferred tax:		
Origination and reversal of timing differences	**1.5**	6.8
Effect of change in tax rate	**(1.4)**	(0.4)
Total deferred tax (note 20)	**0.1**	6.4
Tax on loss on ordinary activities	**(0.4)**	1.9

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is higher than (2010: lower than) the standard rate of corporation tax of 27% (2010: 28%).

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011. Accordingly, the Group's profits for the accounting period are taxed at an effective rate of 27%.

	2011 £m	2010 £m
Loss on ordinary activities before taxation	**(6.9)**	(12.8)
Loss on ordinary activities by rate of tax	**(1.9)**	(3.6)
Effect of:		
Adjustments in respect of prior periods	**(0.3)**	(3.5)
Expenses not deductible for tax purposes	**2.9**	3.5
Difference between capital allowances and depreciation	**(1.2)**	(0.9)
Total current tax (note 9(a))	**(0.5)**	(4.5)

(c) Factors that may affect future tax charges

The March 2011 Budget announced a further reduction in the main rate of corporation tax from 26% to 23% phased in over 3 years at 1% per annum from April 2012. The change from 26% to 25% with effect from 1 April 2012 was enacted in the Finance Act 2011 in July 2011.

MARSTON'S PUBS PARENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 1 October 2011

10. Intangible fixed assets

Group	Goodwill £m
Cost	
At 3 October 2010	217.3
Disposals	(0.4)
At 1 October 2011	216.9
Amortisation	
At 3 October 2010	52.4
Charge for the period	10.8
On disposals	(0.1)
At 1 October 2011	63.1
Net book value	
At 1 October 2011	153.8
At 2 October 2010	164.9

The Company had no intangible fixed assets.

11. Tangible fixed assets

Group	Land and buildings £m	Plant, fixtures and fittings £m	Total £m
Cost or valuation			
At 3 October 2010	1,312.0	148.7	1,460.7
Additions	25.0	22.2	47.2
Disposals	(1.0)	(11.6)	(12.6)
Net transfers to/from assets held for sale	1.3	0.2	1.5
Revaluation	(0.2)	-	(0.2)
Net transfers from Group undertakings	5.8	2.1	7.9
At 1 October 2011	1,342.9	161.6	1,504.5
Depreciation			
At 3 October 2010	0.3	69.1	69.4
Charge for the period	0.1	18.3	18.4
On disposals	-	(10.9)	(10.9)
At 1 October 2011	0.4	76.5	76.9
Net book value			
At 1 October 2011	1,342.5	85.1	1,427.6
At 2 October 2010	1,311.7	79.6	1,391.3

If the land and buildings had not been revalued, the historical cost net book value would be £1,211.3m (2010: £1,180.5m).

11. Tangible fixed assets *(continued)*

The net book value of land and buildings is split as follows:

	2011 £m	2010 £m
Freehold properties	1,278.1	1,255.0
Leasehold properties over 50 years unexpired	60.6	52.9
Leasehold properties under 50 years unexpired	3.8	3.8
	1,342.5	1,311.7

During the current and prior period, various properties were reviewed for impairment. This review identified an impairment of £0.2m (2010: £0.5m) which has been taken to the profit and loss account.

The impact of the impairments described above is as follows:

	2011 £m	2010 £m
Profit and loss account:		
Impairment	(0.2)	(0.5)
Net decrease in shareholders' funds/fixed assets	(0.2)	(0.5)

Capital commitments

	2011 £m	2010 £m
Contracted but not provided for in the financial statements	2.6	2.4

The Company had no tangible fixed assets.

12. Investments

Company

Cost and net book value	2011 £	2010 £
At 2 October 2010 and 1 October 2011	1	1

The Company has one subsidiary, Marston's Pubs Limited, a pub retail company incorporated in England. The Company owns 100% of the issued share capital of Marston's Pubs Limited.

13. Stocks

Group	2011 £m	2010 £m
Raw materials and consumables	1.3	1.1
Finished goods	3.1	2.0
	4.4	3.1

The Company had no stocks.

14. Debtors

Group	2011 £m	2010 £m
Trade debtors	**6.2**	9.3
Amounts owed by Group undertakings	**23.8**	17.2
Other debtors	**9.2**	10.3
Prepayments and accrued income	**1.5**	1.8
	40.7	38.6

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

The Company had no debtors.

15. Assets held for sale

Group	2011 £m	2010 £m
Assets held for sale	**5.6**	7.8

During the prior period, various properties classed as assets held for sale were reviewed for impairment. This review identified an impairment of £0.3m of which £0.2m was taken to the profit and loss account and £0.1m to the revaluation reserve.

The Company had no assets held for sale.

16. Creditors: amounts falling due within one year

Group	2011 £m	2010 £m
Securitised debt	**19.0**	17.8
Liabilities on interest rate swaps	**0.9**	1.1
Amounts owed to Group undertakings	**20.4**	20.9
Corporation tax	**8.3**	8.7
Other taxation and social security	**8.7**	5.9
Other creditors	**9.3**	9.4
Overdrafts	**23.6**	–
Accruals and deferred income	**7.2**	4.3
	97.4	68.1

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

The Company had no creditors falling due within one year.

17. Creditors: amounts falling due after more than one year

Group	2011 £m	2010 £m
Securitised debt	**1,011.5**	1,030.5
12.5% subordinated loan due to Group undertakings	**521.5**	481.9
Liabilities on interest rate swaps	**11.2**	12.0
	1,544.2	1,524.4

The 12.5% subordinated loan is unsecured and due to Marston's PLC, the ultimate parent company.

The ageing of creditors falling due after more than one year is as follows:

At 1 October 2011	Securitised debt £m	Subordinated loan £m	Interest rate swaps £m	Total £m
In one year or less, or on demand	**19.0**	**–**	**0.9**	**19.9**
In more than one year but not more than two years	21.9	–	0.9	22.8
In more than two years but not more than five years	74.0	–	2.1	76.1
In more than five years	915.6	521.5	8.2	1,445.3
	1,011.5	**521.5**	**11.2**	**1,544.2**

At 2 October 2010	Securitised debt £m	Subordinated loan £m	Interest rate swaps £m	Total £m
In one year or less, or on demand	**17.8**	**–**	**1.1**	**18.9**
In more than one year but not more than two years	19.0	–	0.9	19.9
In more than two years but not more than five years	69.9	–	2.3	72.2
In more than five years	941.6	481.9	8.8	1,432.3
	1,030.5	**481.9**	**12.0**	**1,524.4**

The Company had no creditors falling due after more than one year.

18. Securitised debt

On 9 August 2005 Marston's Issuer PLC, a quasi-subsidiary of Marston's PLC, issued £805.0m of secured loan notes in connection with the securitisation of 1,592 pubs held in Marston's Pubs Limited. On 22 November 2007, a further £330.0m of secured loan notes (tranches A4 and AB1) were issued by Marston's Issuer PLC in connection with the securitisation of an additional 437 of the Group's pubs. The loan notes are secured over the properties and their future income streams and the funds were subsequently lent to Marston's Pubs Limited.

During the period ended 1 October 2011, 8 (2010: 21) of the securitised pubs were sold to third parties and one (2010: nil) was sold to another member of the Marston's Group (note 27). During the period ended 1 October 2011 the Group acquired 3 pubs (2010: 20 pubs) (note 27).

The securitisation is governed by various covenants, warranties and events of default, many of which apply to Marston's Pubs Limited. These include covenants regarding the maintenance and disposal of securitised properties and restrictions on the ability to move cash to other companies within the Marston's Group.

The securitised debt at 1 October 2011 consists of six tranches with the following principal terms:

Tranche	**2011 £m**	2010 £m	Interest	Principal repayment period - by instalments	Expected average life	Expected maturity date
A1	**162.1**	176.2	Floating	2011 to 2020	9 years	2020
A2	**214.0**	214.0	Fixed/floating	2020 to 2027	8 years	2019
A3	**200.0**	200.0	Fixed/floating	2027 to 2032	16 years	2027
A4	**228.6**	234.8	Floating	2011 to 2031	20 years	2031
AB1	**80.0**	80.0	Floating	2031 to 2035	24 years	2035
B	**155.0**	155.0	Fixed/floating	2032 to 2035	8 years	2019
	1,039.7	1,060.0				

It is currently assumed that the Class A2, A3 and B notes will be refinanced at their step-up date. It is not currently expected that the Class A1, A4 and AB1 notes will be refinanced at their step-up date.

Interest on the Class A1 notes is payable at three month LIBOR plus a margin of 0.55%, stepping up to three month LIBOR plus 1.375% from July 2012.
Interest on the Class A2 notes is payable at interest of 5.1576% until July 2019 and thereafter at three month LIBOR plus a margin of 1.32%.
Interest on the Class A3 notes is payable at interest of 5.1774% until April 2027 and thereafter at three month LIBOR plus a margin of 1.45%.
Interest on the Class A4 notes is payable at three month LIBOR plus a margin of 0.65% stepping up to three month LIBOR plus 1.625% from October 2012.
Interest on the Class AB1 notes is payable at three month LIBOR plus a margin of 1.25% stepping up to three month LIBOR plus 3.125% from October 2012.
Interest on the Class B notes is payable at interest of 5.6410% until July 2019 and thereafter at three month LIBOR plus a margin of 2.55%.

Interest of £12.6m (2010: £13.1m) had accrued at 1 October 2011 in relation to the securitised debt.

MARSTON'S PUBS PARENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 1 October 2011

19. Financial instruments - Group

The only financial instrument utilised by the Group, other than derivatives, is securitised debt. The securitised debt was used to repay existing debenture and bank facilities of the Marston's Group.

The only derivative financial instruments that the Group enters into are interest rate swaps. The purpose of these transactions is to manage the interest rate risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Directors regularly review and agree policies for managing both of these risks and they are summarised below. The Group has no material exposure to currency rate risk or credit risk.

Interest rate risk
The Group finances its operations through securitised debt. The Group borrows at both fixed and floating rates of interest and then uses interest rate swaps to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations.

The Group's aim is to reduce the risk of exposure to market rate fluctuations in interest rates in the medium term.

Liquidity risk
The Group's policy is to ensure continuity of funding and in particular to ensure that funding requirements for the medium term are available through committed facilities.

Interest rate risk profile of financial liabilities
The effect of the Group's interest rate swaps is to treat all borrowings as fixed rate. Further details regarding the securitised debt are provided in note 18.

The weighted average interest rate on this securitised debt is 5.5% (2010: 5.5%) and the weighted average period for which the rate is fixed is six years (2010: seven years).

Fair value of borrowings and derivative financial instruments

	1 October 2011		2 October 2010	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Primary instruments:				
Securitised debt (excluding deferred issue costs)	**(1,039.7)**	**(905.2)**	(1,060.0)	(945.2)
Subordinated loan	**(521.5)**	**(454.0)**	(481.9)	(429.7)
Cash at bank and in hand	**60.8**	**60.8**	44.5	44.5
	(1,500.4)	**(1,298.4)**	(1,497.4)	(1,330.4)
Derivative financial instruments:				
Interest rate swaps				
Current liabilities	**(0.9)**	**-**	(1.1)	–
Non-current liabilities	**(11.2)**	**(134.2)**	(12.0)	(107.7)
	(12.1)	**(134.2)**	(13.1)	(107.7)

The various tranches of securitised debt have been valued at fair value, using period end mid-market quoted prices. All other fair values have been calculated by discounting cash flows at prevailing interest rates.

20. Deferred taxation

Group

The movement in the deferred taxation provision during the period was:

	2011 £m	2010 £m
Provision brought forward	**17.3**	10.9
Profit and loss account movement arising during the period	**0.1**	6.4
Provision carried forward	**17.4**	17.3

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

	2011 £m	2010 £m
Excess of taxation allowances over depreciation on fixed assets	**17.4**	17.3
	17.4	17.3

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.

No provision has been made for deferred tax on gains recognised on revaluing properties to their market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would only become payable if the properties were sold without it being possible to claim rollover relief. The total amount unprovided for, after offsetting available capital losses, is estimated at £76.5m (2010: £91.0m). At present it is not envisaged that any such tax will become payable in the foreseeable future.

The Company had no deferred tax balance either recognised or unrecognised at the current or prior period end.

21. Commitments under operating leases

At 1 October 2011 the Group had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2011	2010
	£m	£m
Operating leases which expire:		
After more than 5 years	**0.3**	0.3

22. Contingencies

The Group has received refunds of £0.4 million from HM Revenue & Customs (HMRC). This followed Tribunal/Court of Appeal hearings involving The Rank Group Plc ('Rank'), which concluded that there had been a breach of fiscal neutrality in the treatment of gaming machine income as liable to UK VAT. The matter was referred to the European Court of Justice, which released its decision on 10 November 2011 confirming the key principles upon which Rank's case relied.

HMRC are currently considering their position and may ask for the matter to be referred back to the Upper Tribunal to further test whether the comparable machines that had different VAT treatments were in fact 'similar'. HMRC issued protective assessments to recover the repayments pending the result of further Court hearings. If HMRC are ultimately successful, the Group would be required to repay the £0.4 million plus interest. The likelihood of such a repayment being required is not considered probable.

23. Share capital

Allotted, called up and fully paid:

	2011		2010	
	No	**£m**	No	£m
Ordinary shares of £1 each	**1**	**-**	1	-

24. Reserves

Group	**Revaluation reserve £m**	**Profit and loss account £m**
Balance brought forward	**131.4**	**(91.0)**
Loss for the period	**-**	**(6.5)**
Balance carried forward	**131.4**	**(97.5)**

The Company did not trade during the current or prior period and had profit and loss reserves of £nil at the beginning and end of the period.

No profit and loss account is presented for the Company as permitted by section 408 of the Companies Act 2006.

25. Reconciliation of movements in shareholders' funds

	2011 £m	2010 £m
Loss for the financial period	**(6.5)**	(14.7)
Reversal of past revaluation surplus	**-**	(0.1)
Net reduction to shareholders' funds	**(6.5)**	(14.8)
Opening shareholders' funds	**40.4**	55.2
Closing shareholders' funds	**33.9**	40.4

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

27. Acquisitions and disposals

During the period eight pubs were sold separately to third parties and one pub was sold separately to another member of the Marston's Group.

On 31 October 2010 the Group acquired the trade, assets and liabilities of a total of three pubs from subsidiary undertakings of Marston's PLC. Net assets acquired are summarised below.

	Fair value and book value £m
Tangible fixed assets	**7.6**
Creditors: amounts falling due within one year	**(0.1)**
	7.5
Satisfied by:	
Cash	**7.5**

The acquired business was not separately managed or accounted for, and as such audited financial information is not available for the periods prior to acquisition.