COMPANY REGISTRATION NUMBER 5453370

MARSTON'S PUBS PARENT LIMITED

ANNUAL REPORT

FOR THE PERIOD ENDED 3 OCTOBER 2009

MARSTON'S PUBS PARENT LIMITED

FINANCIAL STATEMENTS

Period ended 3 October 2009

Contents

MARSTON'S PUBS PARENT LIMITED

DIRECTORS' REPORT

Period ended 3 October 2009

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

The registered number of the Company is 5453370.

Principal activities 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 £44.7m (2008: loss of £7.9m). The Directors have not recommended a dividend (2008: £nil).

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 and up to the date of this report were as follows:

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

A Andrea was appointed as a Director on 31 March 2009.

P Inglett resigned as a Director on 31 March 2009.

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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 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.

Auditors and disclosure of information to auditors
In the case of each of the persons who are Directors at the time when the report is approved, the following applies:

a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Signed by order of the Directors

Anne-Marie Brennan
Company Secretary

Approved by the Directors on 3 December 2009

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

We have audited the financial statements of Marston's Pubs Parent Limited for the period ended 3 October 2009 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 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Company and the Group as at 3 October 2009 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 matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Roy Tardy

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

3 December 2009

MARSTON'S PUBS PARENT LIMITED

GROUP PROFIT AND LOSS ACCOUNT

Period ended 3 October 2009

	Note	2009 Before exceptional items £m	2009 Exceptional items £m	2009 Total £m	2008 Before exceptional items £m	2008 Exceptional items £m	2008 Total £m
Turnover		**346.3**	**–**	**346.3**	360.7	–	360.7
Net trading expenses	2,4	**(251.4)**	**(30.0)**	**(281.4)**	(257.0)	(3.4)	(260.4)
Operating profit/(loss)	2	**94.9**	**(30.0)**	**64.9**	103.7	(3.4)	100.3
Net interest payable and similar charges	5	**(108.6)**	**–**	**(108.6)**	(107.0)	–	(107.0)
(Loss)/profit on disposal of fixed assets		**–**	**(1.3)**	**(1.3)**	–	1.3	1.3
Loss on ordinary activities before taxation		**(13.7)**	**(31.3)**	**(45.0)**	(3.3)	(2.1)	(5.4)
Tax on loss on ordinary activities	6	**(0.1)**	**0.4**	**0.3**	(2.7)	0.2	(2.5)
Loss for the period	20	**(13.8)**	**(30.9)**	**(44.7)**	(6.0)	(1.9)	(7.9)

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

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

The notes on pages 7 to 19 form part of these financial statements.

MARSTON'S PUBS PARENT LIMITED

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Period ended 3 October 2009

	2009 £m	2008 £m
Loss for the period	(44.7)	(7.9)
Reversal of past revaluation surplus	(9.6)	(0.7)
Total recognised losses relating to the period	(54.3)	(8.6)

The notes on pages 7 to 19 form part of these financial statements.

MARSTON'S PUBS PARENT LIMITED

BALANCE SHEETS

As at 3 October 2009

	Note	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Fixed assets					
Intangible assets	7	177.8	191.3	–	–
Tangible assets	8	1,337.6	1,387.1	–	–
Investments	9	–	–	–	–
		1,515.4	1,578.4	–	–
Current assets					
Assets held for sale	10	12.9	6.3	–	–
Stocks	11	2.6	2.4	–	–
Debtors	12	36.6	36.3	–	–
Cash at bank and in hand		47.9	51.4	–	–
		100.0	96.4	–	–
Creditors: amounts falling due within one year	13	(63.8)	(64.4)	–	–
Net current assets		36.2	32.0	–	–
Total assets less current liabilities		1,551.6	1,610.4	–	–
Creditors: amounts falling due after more than one year	14	(1,485.5)	(1,488.7)	–	–
		66.1	121.7	–	–
Provisions for liabilities					
Deferred taxation	17	(10.9)	(12.2)	–	–
Net assets		55.2	109.5	–	–
Capital and reserves					
Called-up share capital	19	–	–	–	–
Revaluation reserve	20	131.5	141.2	–	–
Profit and loss account	20	(76.3)	(31.7)	–	–
Total shareholders' funds	21	55.2	109.5	–	–

These financial statements on pages 4 to 19 were approved by the Directors and authorised for issue on 3 December 2009, and are signed on their behalf by:

Andrew Andrea
Director

3 December 2009

The notes on pages 7 to 19 form part of these financial statements.

1. **Accounting policies**

(a) Basis of accounting

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

Accounting polices 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 3 October 2009 (2008: 53 weeks ended 4 October 2008).

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 and related party disclosures

The Company is a wholly-owned subsidiary of Marston's PLC and is included in the consolidated financial statements of that company, which are publicly available. Consequently, Marston's Pubs Parent Limited has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Marston's PLC Group.

(d) 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.

(e) 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.

(f) Tangible fixed assets

Freehold and leasehold properties are stated at valuation or at cost. Plant and machinery is stated at cost. Fixtures and fittings are stated at valuation or 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 where they reverse previously charged impairment losses, in which case they are recorded in the profit and loss account.

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

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

(g) 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

(h) Stocks

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

(i) Operating leases

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

(j) 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.

(k) Assets held for sale

Assets, typically properties, are categorised as held for sale when the value of the asset will be recovered through a sale transaction rather than continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition and is being actively marketed. In addition, the Company must be committed to the sale and the completion should be expected to occur within one year from the date of classification. Assets held for sale are valued at the lower of carrying value and fair value less costs to sell and are no longer depreciated.

(l) 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.

(m) Exceptional items

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

2. **Operating profit**

Operating profit is stated after charging/(crediting):

	2009	2008
	£m	£m
Amortisation	**11.0**	11.0
Depreciation of owned fixed assets	**18.5**	18.2
Operating lease costs:		
Other	**0.3**	–
Raw materials and consumables	**124.7**	119.7
Change in stocks of finished goods	**(0.8)**	(1.1)

2. Operating profit *(continued)*

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

3. Employees

During the period the Group paid £55.0m (2008: £61.2m) 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 PLC Group is shown in the consolidated financial statements of Marston's PLC.

4. Exceptional items

	2009 £m	2008 £m
Recognised in arriving at operating profit:		
Impairment of fixed assets	**29.1**	3.8
Impairment of assets held for sale	**0.9**	-
Reversal of impairment	**-**	(0.4)
	30.0	3.4

There is no taxation impact on the above exceptional items (2008: £nil).

The Group incurred losses on disposal of fixed assets of £1.3m (2008: profit of £1.3m).

There is an exceptional tax credit of £0.4m (2008: £nil) in respect of the loss on disposal of fixed assets. In the prior period there was an exceptional tax credit of £0.2m in respect of the phasing out of Industrial Buildings Allowances.

5. Net interest payable and similar charges

	2009 £m	2008 £m
Securitised debt	**60.1**	59.2
Subordinated loan from Group undertaking	**46.8**	47.7
Amortisation of issue costs on securitised debt	**2.5**	2.6
	109.4	109.5
Bank interest receivable and similar income	**(0.8)**	(2.5)
	108.6	107.0

6. Taxation

(a) Analysis of charge in the period

	2009 £m	2008 £m
Current tax:		
In respect of the period:		
UK corporation tax based on the results for the period	**0.9**	3.2
Adjustments in respect of prior periods	**0.1**	0.2
Total current tax	**1.0**	3.4
Deferred tax:		
Deferred tax in relation to period	**(1.4)**	(0.9)
Deferred tax in relation to prior periods	**0.1**	-
Total deferred tax (note 16)	**(1.3)**	(0.9)
Tax on loss on ordinary activities	**(0.3)**	2.5

(b) Factors affecting current tax charge

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

	2009 £m	2008 £m
Loss on ordinary activities before taxation	**(45.0)**	(5.4)
Loss on ordinary activities multiplied by the corporation tax rate	**(12.6)**	(1.5)
Effect of:		
Adjustments in respect of prior periods	**0.1**	0.2
Costs not deductible for tax purposes	**12.1**	3.8
Excess of depreciation over capital allowances	**1.4**	0.9
Total current tax (note 6(a))	**1.0**	3.4

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly the Group's losses for the prior accounting period were taxed at an effective rate of 29%.

(c) Factors that may affect future tax charges

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

7. Intangible fixed assets

	Goodwill £m
Cost	
At 5 October 2008	222.6
Disposals	(2.9)
At 3 October 2009	219.7
Amortisation	
At 5 October 2008	31.3
Charge for the period	11.0
On disposals	(0.4)
At 3 October 2009	41.9
Net book value	
At 3 October 2009	177.8
At 4 October 2008	191.3

The Company had no intangible fixed assets.

8. Tangible fixed assets

	Land and buildings £m	Plant, fixtures and fittings £m	Total £m
Cost or valuation			
At 5 October 2008	1,298.4	131.7	1,430.1
Additions	9.9	11.7	21.6
Disposals	(7.0)	(5.0)	(12.0)
Net transfers to assets held for sale	(14.4)	(2.4)	(16.8)
Impairment/revaluation	(38.7)	–	(38.7)
Net transfers from Group undertakings	11.5	1.8	13.3
At 3 October 2009	1,259.7	137.8	1,397.5
Depreciation			
At 5 October 2008	0.1	42.9	43.0
Charge for the period	0.1	18.4	18.5
On disposals	–	(0.8)	(0.8)
Net transfers to assets held for sale	–	(0.8)	(0.8)
At 3 October 2009	0.2	59.7	59.9
Net book value			
At 3 October 2009	1,259.5	78.1	1,337.6
At 4 October 2008	1,298.3	88.8	1,387.1

If the land and buildings had not been revalued, the historical cost net book value would be £1,099.1m (2008: £1,157.1m).

8. Tangible fixed assets *(continued)*

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

	2009 £m	2008 £m
Freehold properties	**1,221.0**	1,257.2
Leasehold properties over 50 years unexpired	**36.4**	40.4
Leasehold properties under 50 years unexpired	**2.1**	0.7
	1,259.5	1,298.3

Capital expenditure authorised and committed but not provided in the financial statements was £2.6m.

During the period, various properties were reviewed for impairment. This review identified an impairment of £38.7m (2008: £4.5m) which has been taken either to the profit and loss account or, where the impairment reverses a previous upwards revaluation, to the revaluaton reserve.

The impact of the impairments described above is as follows:

	2009 £m	2008 £m
Profit and loss account:		
Impairment	**(29.1)**	(3.8)
Revaluation reserve:		
Reversal of past revaluation surplus	**(9.6)**	(0.7)
Net decrease in shareholders' funds/fixed assets	**(38.7)**	(4.5)

The Company had no tangible fixed assets.

9. Investments

Company

Cost and net book value	2009 £	2008 £
At 4 October 2008 and 3 October 2009	**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.

10. Assets held for sale

Group	2009 £m	2008 £m
Assets held for sale	**12.9**	6.3

During the period, various properties classed as assets held for sale were reviewed for impairment. This review identified an impairment of £0.9m (2008: £nil) which has been taken to the profit and loss account.

The Company had no assets held for sale.

MARSTON'S PUBS PARENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

11. Stocks

Group	2009 £m	2008 £m
Raw materials and consumables	**0.9**	1.5
Finished goods	**1.7**	0.9
	2.6	2.4

The Company had no stocks.

12. Debtors

Group	2009 £m	2008 £m
Trade debtors	**11.4**	11.6
Amounts owed by Group undertakings	**9.4**	9.2
Other debtors	**14.6**	14.3
Prepayments and accrued income	**1.2**	1.2
	36.6	36.3

The Company had no debtors.

13. Creditors: amounts falling due within one year

Group	2009 £m	2008 £m
Securitised debt	**16.7**	15.6
Liabilities on interest rate swaps	**1.1**	1.2
Amounts owed to Group undertakings	**21.3**	7.8
Corporation tax	**6.4**	5.6
Other taxation and social security	**5.3**	7.4
Other creditors	**10.1**	10.2
Accruals and deferred income	**2.9**	16.6
	63.8	64.4

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

The Company had no creditors falling due within one year.

MARSTON'S PUBS PARENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 3 October 2009

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

Group	2009 £m	2008 £m
Securitised debt	**1,048.4**	1,065.2
12.5% subordinated loan due to Group undertakings	**423.9**	409.2
Liabilities on interest rate swaps	**13.2**	14.3
	1,485.5	1,488.7

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 3 October 2009	Securitised debt £m	Subordinated loan £m	Interest rate swaps £m	Total £m
In one year or less, or on demand	**16.7**	**–**	**1.1**	**17.8**
In more than one year but not more than two years	17.9	–	1.1	19.0
In more than two years but not more than five years	64.2	–	1.1	65.3
In more than five years	966.3	423.9	11.0	1,401.2
	1,048.4	**423.9**	**13.2**	**1,485.5**

At 4 October 2008	Securitised debt £m	Subordinated loan £m	Interest rate swaps £m	Total £m
In one year or less, or on demand	**15.6**	**–**	**1.2**	**16.8**
In more than one year but not more than two years	16.7	–	1.1	17.8
In more than two years but not more than five years	65.6	–	1.1	66.7
In more than five years	982.9	409.2	12.1	1,404.2
	1,065.2	**409.2**	**14.3**	**1,488.7**

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

15. 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 3 October 2009 52 (2008: 28) of the securitised pubs were sold to third parties (note 23). During the period ended 3 October 2009 the Group acquired seven pubs (2008: 437 pubs) (note 23).

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 Group.

The securitised debt at 3 October 2009 consists of six tranches with the following principal terms:

Tranche	2009 £m	2008 £m	Interest	Prinicpal repayment period - by instalments	Expected average life	Expected maturity date
A1	**189.7**	202.4	Floating	2009 to 2020	3 years	2012
A2	**214.0**	214.0	Fixed/floating	2020 to 2027	10 years	2019
A3	**200.0**	200.0	Fixed/floating	2027 to 2032	18 years	2027
A4	**240.7**	246.2	Floating	2009 to 2031	3 years	2012
AB1	**80.0**	80.0	Floating	2031 to 2035	3 years	2012
B	**155.0**	155.0	Fixed/floating	2032 to 2035	10 years	2019
	1,079.4	1,097.6				

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%.
Interest on the Class AB1 notes is payable at three month LIBOR plus a margin of 1.25%.
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%.

The carrying value of the secured notes in the balance sheet at 3 October 2009 is analysed as follows:

	£m
Gross proceeds received on 9 August 2005	805.0
Gross proceeds received on 22 November 2007	330.0
	1,135.0
Deferred issue costs	(21.4)
	1,113.6
Capital repayments	(55.6)
Amortisation of deferred issue costs	7.1
Carrying value at 3 October 2009	1,065.1

Interest of £13.4m (2008: £13.8m) had accrued at 3 October 2009 in relation to the securitised debt.

16. 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 PLC 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 15.

The weighted average interest rate on this securitised debt is 5.5% (2008: 5.4%) and the weighted average period for which the rate is fixed is 8 years (2008: 9 years).

Fair value of borrowings and derivative financial instruments

	3 October 2009		4 October 2008	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Primary instruments:				
Securitised debt (excluding deferred issue costs)	**(1,079.4)**	**(821.3)**	(1,097.6)	(844.5)
Subordinated loan	**(423.9)**	**(332.5)**	(409.2)	(314.9)
Cash at bank and in hand	**47.9**	**47.9**	51.4	51.4
	(1,455.4)	**(1,105.9)**	(1,455.4)	(1,108.0)
Derivative financial instruments:				
Interest rate swaps				
Current liabilities	**(1.1)**	**–**	(1.2)	–
Non-current liabilities	**(13.2)**	**(76.9)**	(14.3)	(38.5)
	(14.3)	**(76.9)**	(15.5)	(38.5)

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.

17. Deferred taxation

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

	2009 £m	2008 £m
Provision brought forward	**12.2**	12.2
Transfers from other Group undertakings	**-**	0.9
Profit and loss account movement arising during the period	**(1.3)**	(0.9)
Provision carried forward	**10.9**	12.2

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

	2009 £m	2008 £m
Excess of taxation allowances over depreciation on fixed assets	**10.9**	12.2
	10.9	12.2

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 £101.2m (2008: £105.9m). 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.

18. Commitments under operating leases

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

	Land & Buildings 2009 £m	Land & Buildings 2008 £m
Operating leases which expire:		
After more than 5 years	**0.2**	0.2

19. Share capital

Authorised share capital:

	2009 £m	2008 £m
1,000 Ordinary shares of £1 each	**-**	-

Allotted, called up and fully paid:

	2009 Number	**£m**	2008 Number	£m
Ordinary shares of £1 each	**1**	**-**	1	-

20. Reserves

Group	**Revaluation reserve £m**	**Profit and loss account £m**
Balance brought forward	**141.2**	**(31.7)**
Loss for the period	**–**	**(44.7)**
Disposal of properties	**(0.1)**	**0.1**
Reversal of past revaluation surplus	**(9.6)**	**–**
Balance carried forward	**131.5**	**(76.3)**

The Company did not trade during the current or previous 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.

21. Reconciliation of movements in shareholders' funds

	2009 £m	2008 £m
Loss for the period	**(44.7)**	(7.9)
Reversal of past revaluation surplus	**(9.6)**	(0.7)
Net reduction to shareholders' funds	**(54.3)**	(8.6)
Opening shareholders' funds	**109.5**	118.1
Closing shareholders' funds	**55.2**	109.5

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

23. Acquisitions and disposals

During the period 52 pubs were sold separately to third parties.

On 27 February 2009, the Group acquired the trade, assets and liabilities of four pubs from fellow subsidiary undertakings of Marston's PLC for £7.1m. Net assets acquired are summarised below.

	Fair value and book value £m
Tangible fixed assets	7.3
Creditors: amounts falling due within one year	(0.2)
	7.1
Satisfied by:	
Cash	7.1

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.

On 28 August 2009, the Group acquired the trade, assets and liabilities of three pubs from fellow subsidiary undertakings of Marston's PLC for £6.0m. Net assets acquired are summarised below.

	Fair value and book value £m
Tangible fixed assets	6.0
Debtors	0.1
Creditors: amounts falling due within one year	(0.1)
	6.0
Satisfied by:	
Cash	6.0

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.