

COMPANY REGISTRATION NUMBER 5453370

**MARSTON'S PUBS PARENT LIMITED**  
**ANNUAL REPORT**  
**FOR THE PERIOD ENDED 2 OCTOBER 2010**

# MARSTON'S PUBS PARENT LIMITED

## FINANCIAL STATEMENTS

Period ended 2 October 2010

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# MARSTON'S PUBS PARENT LIMITED

## DIRECTORS' REPORT

### Period ended 2 October 2010

The Directors submit their report and the audited consolidated financial statements of the Group for the 52 weeks ended 2 October 2010 (2009: 52 weeks ended 3 October 2009).

The registration number of 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, after taxation, amounted to £14.7m (2009: loss of £44.7m). The Directors have not recommended a dividend (2009: £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

# MARSTON'S PUBS PARENT LIMITED

## DIRECTORS' REPORT *(continued)*

Period ended 2 October 2010

### 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 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 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.

### Independent 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 2 December 2010

# 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 2 October 2010 which comprise the Group profit and loss account, the Group statement of total recognised gains and losses, the Group note of historical cost profits 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 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.

## 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 2 October 2010 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.



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

2 December 2010

# MARSTON'S PUBS PARENT LIMITED

## GROUP PROFIT AND LOSS ACCOUNT

Period ended 2 October 2010

	Note	2010 £m	2009 £m
<b>Turnover</b>		<b>360.0</b>	<b>346.3</b>
Trading expenses excluding exceptional items		<u>(262.6)</u>	<u>(251.4)</u>
Exceptional items	4	<u>(0.6)</u>	<u>(30.0)</u>
Trading expenses		<u>(263.2)</u>	<u>(281.4)</u>
<b>Operating profit</b>	2	<b>96.8</b>	<b>64.9</b>
Profit/(loss) on disposal of fixed assets		<u>0.4</u>	<u>(1.3)</u>
		<u>97.2</u>	<u>63.6</u>
Interest receivable	5	1.5	1.7
Interest payable and similar charges	6	(111.5)	(110.3)
<b>Loss on ordinary activities before taxation</b>		<b>(12.8)</b>	<b>(45.0)</b>
Tax on loss on ordinary activities	7	(1.9)	0.3
<b>Loss for the period</b>	22	<b><u>(14.7)</u></b>	<b><u>(44.7)</u></b>

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

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

# MARSTON'S PUBS PARENT LIMITED

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Period ended 2 October 2010

	2010 £m	2009 £m
Loss for the period	(14.7)	(44.7)
Reversal of past revaluation surplus	<u>(0.1)</u>	<u>(9.6)</u>
Total recognised losses relating to the period	<u>(14.8)</u>	<u>(54.3)</u>

## GROUP NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2010 £m	2009 £m
Reported loss on ordinary activities before taxation	(12.8)	(45.0)
Realisation of gains recognised in previous periods	<u>—</u>	<u>0.1</u>
Historical cost loss on ordinary activities before taxation	<u>(12.8)</u>	<u>(44.9)</u>
Historical cost loss for the period after taxation	<u>(14.7)</u>	<u>(44.6)</u>

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

# MARSTON'S PUBS PARENT LIMITED

## BALANCE SHEETS

As at 2 October 2010

	Note	Group 2010 £m	2009 £m	Company 2010 £m	2009 £m
<b>Fixed assets</b>					
Intangible assets	8	164.9	177.8	-	-
Tangible assets	9	1,391.3	1,337.6	-	-
Investments	10	-	-	-	-
		<u>1,556.2</u>	<u>1,515.4</u>	<u>-</u>	<u>-</u>
<b>Current assets</b>					
Assets held for sale	11	7.8	12.9	-	-
Stocks	12	3.1	2.6	-	-
Debtors	13	38.6	36.6	-	-
Cash at bank and in hand		44.5	47.9	-	-
		<u>94.0</u>	<u>100.0</u>	<u>-</u>	<u>-</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(68.1)</u>	<u>(63.8)</u>	<u>-</u>	<u>-</u>
<b>Net current assets</b>		<u>25.9</u>	<u>36.2</u>	<u>-</u>	<u>-</u>
<b>Total assets less current liabilities</b>		<u>1,582.1</u>	<u>1,551.6</u>	<u>-</u>	<u>-</u>
<b>Creditors: amounts falling due after more than one year</b>					
	15	<u>(1,524.4)</u>	<u>(1,485.5)</u>	<u>-</u>	<u>-</u>
		<u>57.7</u>	<u>66.1</u>	<u>-</u>	<u>-</u>
<b>Provisions for liabilities</b>					
Deferred taxation	18	<u>(17.3)</u>	<u>(10.9)</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>		<u>40.4</u>	<u>55.2</u>	<u>-</u>	<u>-</u>
<b>Capital and reserves</b>					
Called-up share capital	21	-	-	-	-
Revaluation reserve	22	131.4	131.5	-	-
Profit and loss account	22	<u>(91.0)</u>	<u>(76.3)</u>	<u>-</u>	<u>-</u>
<b>Total shareholders' funds</b>	23	<u>40.4</u>	<u>55.2</u>	<u>-</u>	<u>-</u>

These financial statements on pages 4 to 20 were approved by the Directors and authorised for issue on 2 December 2010, and are signed on their behalf by:

Andrew Andrea  
Director

2 December 2010

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



# MARSTON'S PUBS PARENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 2 October 2010

### 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 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 2 October 2010 (2009: 52 weeks ended 3 October 2009).

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. 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.

#### (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, 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 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.

# MARSTON'S PUBS PARENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 2 October 2010

### 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) 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.

#### (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 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.

#### (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 Group.

# MARSTON'S PUBS PARENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 2 October 2010

### 2. Operating profit

Operating profit is stated after charging/(crediting):

	2010 £m	2009 £m
Amortisation	10.9	11.0
Depreciation of owned fixed assets	17.7	18.5
Operating lease costs:		
Plant and equipment	2.7	2.2
Other	0.2	0.3
Raw materials and consumables	123.1	124.7
Change in stocks of finished goods	<u>(0.3)</u>	<u>(0.8)</u>

Auditors' remuneration is borne by the ultimate parent company, Marston's PLC. The Company incurred no non-audit fees during the period (2009: £nil).

### 3. Employees

During the period the Group paid £62.6m (2009: £55.0m) 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

	2010 £m	2009 £m
Recognised in arriving at operating profit:		
Impairment of fixed assets	-	29.1
Impairment of assets held for sale	-	0.9
Property related insurance claims	1.0	-
VAT refund	<u>(0.4)</u>	<u>-</u>
	<u>0.6</u>	<u>30.0</u>

During the period a refund of £0.4m was received from HM Revenue & Customs, in relation to VAT on gaming machine income. It followed Tribunal/Court of Appeal hearings involving The Rank Group Plc. Points raised during the Rank case have been referred to the European Court of Justice and are due to be heard in 2011. HM Revenue & Customs have issued protective assessments to recover the repayment in the event they are successful with their appeal. The Group has appealed against these protective assessments, but if HM Revenue & Customs are successful upon appeal, the Group would be required to repay the £0.4m plus interest. A gain of £0.4m has been recognised as an exceptional item in the income statement, and the refund has been recorded as a contingent liability in note 20.

Property related insurance claim costs of £1.0m have been incurred during the period, principally relating to flooding and fire claims. A condition of the Group's insurance policy is that it is responsible for a portion of the claim.

There is a tax credit of £0.2m (2009: £nil) in respect of the above exceptional items.

# MARSTON'S PUBS PARENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 2 October 2010

### 5. Interest receivable

	2010 £m	2009 £m
Bank interest receivable	0.4	0.5
Release of interest rate swaps	1.1	1.2
	<u>1.5</u>	<u>1.7</u>

### 6. Interest payable and similar charges

	2010 £m	2009 £m
Securitised debt	61.5	62.6
Subordinated loan from Group undertaking	49.1	46.8
Other similar charges	0.9	0.9
	<u>111.5</u>	<u>110.3</u>

### 7. Taxation

#### (a) Analysis of charge in the period

	2010 £m	2009 £m
Current tax:		
In respect of the period:		
UK corporation tax based on the results for the period	(1.0)	0.9
Adjustments in respect of prior periods	(3.5)	0.1
Total current tax	<u>(4.5)</u>	<u>1.0</u>
Deferred tax:		
Deferred tax in relation to period	0.5	(1.4)
Deferred tax in relation to prior periods	5.9	0.1
Total deferred tax (note 18)	<u>6.4</u>	<u>(1.3)</u>
Tax on loss on ordinary activities	<u>1.9</u>	<u>(0.3)</u>

# MARSTON'S PUBS PARENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 2 October 2010

### 7. Taxation (continued)

#### (b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is lower than (2009: higher than) the standard rate of corporation tax of 28% (2009: 28%).

	2010 £m	2009 £m
Loss on ordinary activities before taxation	<u>(12.8)</u>	<u>(45.0)</u>
Loss on ordinary activities multiplied by the corporation tax rate	(3.6)	(12.6)
Effect of:		
Adjustments in respect of prior periods	(3.5)	0.1
Costs not deductible for tax purposes	3.5	12.1
Difference between capital allowances and depreciation	<u>(0.9)</u>	<u>1.4</u>
Total current tax (note 7(a))	<u>(4.5)</u>	<u>1.0</u>

#### (c) Factors that may affect future tax charges

The June 2010 Emergency Budget Statement announced a reduction in the main rate of corporation tax from 28% to 24% phased in over 4 years at 1% per annum from April 2011. The change from 28% to 27% with effect from 1 April 2011 was enacted in the Finance Act 2010 in July 2010.

The financial impact of these changes in the current period, in relation to deferred tax, is a tax credit of £0.4m.

### 8. Intangible fixed assets

Group	Goodwill £m
<b>Cost</b>	
At 4 October 2009	219.7
Disposals	<u>(2.4)</u>
<b>At 2 October 2010</b>	<u>217.3</u>
<b>Amortisation</b>	
At 4 October 2009	41.9
Charge for the period	10.9
On disposals	<u>(0.4)</u>
<b>At 2 October 2010</b>	<u>52.4</u>
<b>Net book value</b>	
At 2 October 2010	<u>164.9</u>
At 3 October 2009	<u>177.8</u>

The Company had no intangible fixed assets.

# MARSTON'S PUBS PARENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 2 October 2010

### 9. Tangible fixed assets

Group	Land and buildings £m	Plant, fixtures and fittings £m	Total £m
<b>Cost or valuation</b>			
At 4 October 2009	1,259.7	137.8	1,397.5
Additions	13.8	17.0	30.8
Disposals	(1.5)	(10.7)	(12.2)
Net transfers to/from assets held for sale	0.4	(0.1)	0.3
Revaluation	(0.5)	–	(0.5)
Net transfers from Group undertakings	40.1	4.7	44.8
<b>At 2 October 2010</b>	<u>1,312.0</u>	<u>148.7</u>	<u>1,460.7</u>
<b>Depreciation</b>			
At 4 October 2009	0.2	59.7	59.9
Charge for the period	0.1	17.6	17.7
On disposals	–	(8.2)	(8.2)
<b>At 2 October 2010</b>	<u>0.3</u>	<u>69.1</u>	<u>69.4</u>
<b>Net book value</b>			
<b>At 2 October 2010</b>	<u>1,311.7</u>	<u>79.6</u>	<u>1,391.3</u>
At 3 October 2009	<u>1,259.5</u>	<u>78.1</u>	<u>1,337.6</u>

If the land and buildings had not been revalued, the historical cost net book value would be £1,180.5m (2009: £1,099.1m).

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

	2010 £m	2009 £m
Freehold properties	1,255.0	1,221.0
Leasehold properties over 50 years unexpired	52.9	36.4
Leasehold properties under 50 years unexpired	3.8	2.1
	<u>1,311.7</u>	<u>1,259.5</u>

During the current and prior period, various properties were reviewed for impairment. This review identified an impairment of £0.5m (2009: £38.7m) which has been taken either to the profit and loss account or, where the impairment reverses a previous upwards revaluation, to the revaluation reserve.

# MARSTON'S PUBS PARENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 2 October 2010

### 9. Tangible fixed assets *(continued)*

The impact of the impairments described above is as follows:

	2010 £m	2009 £m
<b>Profit and loss account:</b>		
Impairment	(0.5)	(29.1)
<b>Revaluation reserve:</b>		
Reversal of past revaluation surplus	—	(9.6)
Net decrease in shareholders' funds/fixed assets	<u>(0.5)</u>	<u>(38.7)</u>
<b>Capital commitments</b>		
	2010 £m	2009 £m
Contracted but not provided for in the financial statements	<u>2.4</u>	<u>2.6</u>

The Company had no tangible fixed assets.

### 10. Investments

#### Company

Cost and net book value	2010 £	2009 £
At 3 October 2009 and 2 October 2010	<u>1</u>	<u>1</u>

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.

### 11. Assets held for sale

Group	2010 £m	2009 £m
Assets held for sale	<u>7.8</u>	<u>12.9</u>

During the current and prior period, various properties classed as assets held for sale were reviewed for impairment. This review identified an impairment of £0.3m (2009: £0.9m) of which £0.2m (2009: £0.9m) has been taken to the profit and loss account and £0.1m (2009: £nil) to the revaluation reserve.

The Company had no assets held for sale

# MARSTON'S PUBS PARENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 2 October 2010

### 12. Stocks

Group	2010 £m	2009 £m
Raw materials and consumables	1.1	0.9
Finished goods	2.0	1.7
	<u>3.1</u>	<u>2.6</u>

The Company had no stocks.

### 13. Debtors

Group	2010 £m	2009 £m
Trade debtors	9.3	11.4
Amounts owed by Group undertakings	17.2	9.4
Other debtors	10.3	14.6
Prepayments and accrued income	1.8	1.2
	<u>38.6</u>	<u>36.6</u>

The Company had no debtors.

### 14. Creditors: amounts falling due within one year

Group	2010 £m	2009 £m
Securitised debt	17.8	16.7
Liabilities on interest rate swaps	1.1	1.1
Amounts owed to Group undertakings	20.9	21.3
Corporation tax	8.7	6.4
Other taxation and social security	5.9	5.3
Other creditors	9.4	10.1
Accruals and deferred income	4.3	2.9
	<u>68.1</u>	<u>63.8</u>

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 2 October 2010

### 15. Creditors: amounts falling due after more than one year

Group	2010 £m	2009 £m
Securitised debt	1,030.5	1,048.4
12.5% subordinated loan due to Group undertakings	481.9	423.9
Liabilities on interest rate swaps	12.0	13.2
	<u>1,524.4</u>	<u>1,485.5</u>

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:

	Securitised debt £m	Subordinated loan £m	Interest rate swaps £m	Total £m
At 2 October 2010				
In one year or less, or on demand	<u>17.8</u>	<u>—</u>	<u>1.1</u>	<u>18.9</u>
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
	<u>1,030.5</u>	<u>481.9</u>	<u>12.0</u>	<u>1,524.4</u>

	Securitised debt £m	Subordinated loan £m	Interest rate swaps £m	Total £m
At 3 October 2009				
In one year or less, or on demand	<u>16.7</u>	<u>—</u>	<u>1.1</u>	<u>17.8</u>
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
	<u>1,048.4</u>	<u>423.9</u>	<u>13.2</u>	<u>1,485.5</u>

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

# MARSTON'S PUBS PARENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 2 October 2010

### 16. Securitised debt

On 9 August 2005 Marston's Issuer PLC, a quasi-subsiary 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 2 October 2010 21 (2009: 52) of the securitised pubs were sold to third parties (note 25). During the period ended 2 October 2010 the Group acquired 20 pubs (2009: 7 pubs) (note 25).

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 PLC Group.

The securitised debt at 2 October 2010 consists of six tranches with the following principal terms:

Tranche	2010 £m	2009 £m	Interest	Principal repayment period - by instalments	Expected average life	Expected maturity date
A1	176.2	189.7	Floating	2010 to 2020	2 years	2012
A2	214.0	214.0	Fixed/floating	2020 to 2027	9 years	2019
A3	200.0	200.0	Fixed/floating	2027 to 2032	17 years	2027
A4	234.8	240.7	Floating	2010 to 2031	2 years	2012
AB1	80.0	80.0	Floating	2031 to 2035	2 years	2012
B	155.0	155.0	Fixed/floating	2032 to 2035	9 years	2019
	<u>1,060.0</u>	<u>1,079.4</u>				

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 £13.1m (2009: £13.4m) had accrued at 2 October 2010 in relation to the securitised debt.

# MARSTON'S PUBS PARENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 2 October 2010

### 17. 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 16.

The weighted average interest rate on this securitised debt is 5.5% (2009: 5.5%) and the weighted average period for which the rate is fixed is seven years (2009: eight years).

#### Fair value of borrowings and derivative financial instruments

	2 October 2010		3 October 2009	
	Book value £m	Fair value £m	Book value £m	Fair value £m
<b>Primary instruments:</b>				
Securitised debt (excluding deferred issue costs)	(1,060.0)	(945.2)	(1,079.4)	(821.3)
Subordinated loan	(481.9)	(429.7)	(423.9)	(332.5)
Cash at bank and in hand	44.5	44.5	47.9	47.9
	<u>(1,497.4)</u>	<u>(1,330.4)</u>	<u>(1,455.4)</u>	<u>(1,105.9)</u>
<b>Derivative financial instruments:</b>				
<b>Interest rate swaps</b>				
Current liabilities	(1.1)	–	(1.1)	–
Non-current liabilities	(12.0)	(107.7)	(13.2)	(76.9)
	<u>(13.1)</u>	<u>(107.7)</u>	<u>(14.3)</u>	<u>(76.9)</u>

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.

# MARSTON'S PUBS PARENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 2 October 2010

### 18. Deferred taxation

#### Group

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

	2010 £m	2009 £m
Provision brought forward	10.9	12.2
Profit and loss account movement arising during the period	6.4	(1.3)
Provision carried forward	<u>17.3</u>	<u>10.9</u>

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

	2010 £m	2009 £m
Excess of taxation allowances over depreciation on fixed assets	17.3	10.9
	<u>17.3</u>	<u>10.9</u>

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 £91.0m (2009: £101.2m). 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.

# MARSTON'S PUBS PARENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 2 October 2010

### 19. Commitments under operating leases

At 2 October 2010 the Group had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2010	2009
	£m	£m
Operating leases which expire:		
After more than 5 years	<u>0.3</u>	<u>0.2</u>

### 20. Contingencies

During the period a refund of £0.4m was received from HM Revenue & Customs, in relation to VAT on gaming machine income. It followed Tribunal/Court of Appeal hearings involving The Rank Group Plc. Points raised during the Rank case have been referred to the European Court of Justice and are due to be heard in 2011. HM Revenue & Customs have issued protective assessments to recover the repayment in the event they are successful with their appeal. The Group has appealed against these protective assessments, but if HM Revenue & Customs are successful upon appeal, the Group would be required to repay the £0.4m plus interest. The likelihood of such a repayment being required is not considered probable. A gain of £0.4m has been recognised as an exceptional item in the profit and loss account in note 4.

### 21. Share capital

Allotted, called up and fully paid:

	2010		2009	
	Number	£m	Number	£m
Ordinary shares of £1 each	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>

### 22. Reserves

Group

	Revaluation reserve	Profit and loss account
	£m	£m
At 3 October 2009	131.5	(76.3)
Loss for the period	-	(14.7)
Reversal of past revaluation surplus	<u>(0.1)</u>	<u>-</u>
At 2 October 2010	<u>131.4</u>	<u>(91.0)</u>

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.

# MARSTON'S PUBS PARENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 2 October 2010

### 23. Reconciliation of movements in shareholders' funds

	2010 £m	2009 £m
Loss for the period	(14.7)	(44.7)
Reversal of past revaluation surplus	(0.1)	(9.6)
Net reduction to shareholders' funds	(14.8)	(54.3)
Opening shareholders' funds	55.2	109.5
Closing shareholders' funds	40.4	55.2

### 24. 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.

### 25. Acquisitions and disposals

During the period 21 pubs were sold separately to third parties.

On 30 October 2009, 27 November 2009 and 29 January 2010, the Group acquired the trade, assets and liabilities of a total of 20 pubs from fellow subsidiary undertakings of Marston's PLC. Net assets acquired are summarised below.

	Fair value and book value £m
Tangible fixed assets	45.0
Stocks	0.8
Debtors	0.1
Creditors: amounts falling due within one year	(1.0)
	<u>44.9</u>
Satisfied by:	
Cash	22.9
Subordinated loan	22.0
	<u>44.9</u>

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.