COMPANY REGISTRATION NUMBER 5453370

MARSTON'S PUBS PARENT LIMITED

ANNUAL REPORT

5 OCTOBER 2013

MARSTON'S PUBS PARENT LIMITED

FINANCIAL STATEMENTS

Period ended 5 October 2013

Contents	Pages

MARSTON'S PUBS PARENT LIMITED

STRATEGIC REPORT

Period ended 5 October 2013

Principal activities and business review
The Group's principal activity is operating managed, tenanted, leased and franchised 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, position and key performance indicators of the Marston's Group which includes the Company and the Group are discussed within the Strategic Report of Marston's PLC which does not form part of this report.

Principal risks and uncertainties
The principal risks and uncertainties of the Company and the Group reflect those of the Marston's Group. The principal risks and uncertainties of the Marston's Group which include those of the Company and the Group are discussed within the Strategic Report of Marston's PLC which does not form part of this report.

Signed by order of the Directors

Anne-Marie Brennan
Company Secretary

Approved by the Directors on 28 November 2013

MARSTON'S PUBS PARENT LIMITED

DIRECTORS' REPORT

Period ended 5 October 2013

The Directors present their report and the financial statements of the Group for the period ended 5 October 2013.

The financial statements of the Group cover the 53 weeks ended 5 October 2013 (2012: 52 weeks ended 29 September 2012).

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 £31.7m. The Directors have not recommended a dividend.

Financial risk management
The financial risk management of the Company and the Group reflect that of the Marston's Group. Details of the Marston's Group's financial risk exposure, and the management objectives and policies thereon, are presented within the Annual Report of Marston's PLC.

Directors
The Directors who served the Company during the period were as follows:

A Andrea	
P Dalzell	
R Findlay	
R Westwood	(Appointed 3 June 2013)
S J Oliver	(Resigned 3 June 2013)

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 Company and 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 Company and 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 28 November 2013

Company Registration Number: 5453370

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

Report on the financial statements

Our opinion
In our opinion the financial statements:

- give a true and fair view of the state of the Company and the Group's affairs as at 5 October 2013 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.

This opinion is to be read in the context of what we say below.

What we have audited
The financial statements for the period ended 5 October 2013, which are prepared by Marston's Pubs Parent Limited, 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
- related notes.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). 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 Group's and 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARSTON'S PUBS PARENT LIMITED *(continued)*

Other matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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 have not been made.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors
As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 ISAs (UK & 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.

Mark Smith

Mark Smith (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
28 November 2013

MARSTON'S PUBS PARENT LIMITED

GROUP PROFIT AND LOSS ACCOUNT

Period ended 5 October 2013

	Note	2013 £m	2012 £m
Turnover	**2**	**421.0**	404.5
Trading expenses excluding exceptional items		**(321.3)**	(306.1)
Exceptional items	**6**	**0.5**	(209.5)
Trading expenses	**3**	**(320.8)**	(515.6)
Operating profit/(loss)	**4**	**100.2**	(111.1)
Loss on disposal of fixed assets		**(2.8)**	-
		97.4	(111.1)
Interest receivable	**7**	**1.0**	1.1
Interest payable and similar charges	**8**	**(138.9)**	(109.1)
Loss on ordinary activities before taxation		**(40.5)**	(219.1)
Tax on loss on ordinary activities	**9**	**8.8**	1.1
Loss for the financial period		**(31.7)**	(218.0)

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

The notes on pages 9 to 22 form part of these financial statements.

MARSTON'S PUBS PARENT LIMITED

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Period ended 5 October 2013

	2013 £m	2012 £m
Loss for the financial period attributable to the shareholders	(31.7)	(218.0)
Unrealised surplus on revaluation of properties	1.1	220.0
Reversal of past revaluation surplus	-	(51.5)
Total gains and losses recognised since the last annual report	(30.6)	(49.5)

GROUP NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2013 £m	2012 £m
Reported loss on ordinary activities before taxation	(40.5)	(219.1)
Realisation of gains recognised in previous periods	1.1	0.1
Historical cost loss on ordinary activities before taxation	(39.4)	(219.0)
Historical cost loss for the period after taxation	(30.6)	(217.9)

The notes on pages 9 to 22 form part of these financial statements.

MARSTON'S PUBS PARENT LIMITED

BALANCE SHEETS

5 October 2013

		Group		Company	
		2013	2012	**2013**	2012
	Note	**£m**	£m	**£m**	£m
Fixed assets					
Intangible assets	**10**	**126.5**	142.5	**–**	–
Tangible assets	**11**	**1,359.8**	1,389.6	**–**	–
Investments	**12**	**–**	–	**–**	–
		1,486.3	1,532.1	**–**	–
Current assets					
Assets held for sale	**15**	**50.0**	24.8	**–**	–
Stocks	**13**	**5.5**	5.1	**–**	–
Debtors	**14**	**15.8**	18.1	**–**	–
Cash at bank and in hand		**76.6**	51.0	**–**	–
		147.9	99.0	**–**	–
Creditors: amounts falling due within one year	**16**	**(62.9)**	(66.1)	**–**	–
Net current assets		**85.0**	32.9	**–**	–
Total assets less current liabilities		**1,571.3**	1,565.0	**–**	–
Creditors: amounts falling due after more than one year	**17**	**(1,602.8)**	(1,564.0)	**–**	–
Provisions for liabilities					
Deferred taxation	**20**	**(14.7)**	(16.6)	**–**	–
Net liabilities		**(46.2)**	(15.6)	**–**	–
Capital and reserves					
Share capital	**22**	**–**	–	**–**	–
Revaluation reserve	**23**	**299.8**	299.8	**–**	–
Profit and loss account	**23**	**(346.0)**	(315.4)	**–**	–
Shareholders' deficit	**24**	**(46.2)**	(15.6)	**–**	–

These financial statements were approved by the Directors and authorised for issue on 28 November 2013, and are signed on their behalf by:

Andrew Andrea
Director

28 November 2013

The notes on pages 9 to 22 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 53 weeks ended 5 October 2013 (2012: 52 weeks ended 29 September 2012).

The results of new subsidiary undertakings are included in the Group accounts from the date at 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 rolling five year period, on an existing use basis. Substantially all of the Group's properties have been externally valued in accordance with the Royal Institution of Chartered Surveyors' Red Book. These valuations are performed directly by reference to observable prices in an active market or recent market transactions on arm's length terms. Internal valuations are performed on the same 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.

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

(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.

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

(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 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:

	2013	2012
	£m	£m
Destination and Premium	**150.8**	144.6
Taverns	**221.6**	208.7
Leased	**48.6**	51.2
	421.0	404.5

In the prior period the Group had two distinguishable operating segments being Managed Pubs and Tenanted and Franchised. The Group has now restructured how its pub operations are managed and reported. The three operating segments set out above reflect this new structure. The analysis of turnover for the 52 weeks ended 29 September 2012 has been restated to reflect these revised segments.

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

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

MARSTON'S PUBS PARENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 5 October 2013

3. Trading expenses

	2013 £m	2012 £m
Change in stocks of finished goods	**(0.5)**	(0.4)
Other operating income	**(2.0)**	(1.7)
Raw materials and consumables	**144.0**	138.2
Staff costs recharged from Group undertakings	**67.5**	64.1
Depreciation and other amounts written off tangible and intangible fixed assets and assets held for sale	**25.6**	238.9
Other net operating charges	**86.2**	76.5
	320.8	515.6

Included within other net operating charges is an exceptional charge of £0.4m (2012: £nil) in relation to the recognition of the provision for repayment of Rank refunds received.

Included within depreciation and other amounts written off tangible and intangible fixed assets and assets held for sale is an exceptional charge of £nil (2012: £218.7m) in respect of the impairment of tangible fixed assets, an exceptional credit of £0.9m (2012: £9.9m) in respect of the reversal of impairments of tangible fixed assets and an exceptional charge of £nil (2012: £0.7m) in respect of the impairment of assets held for sale.

4. Operating profit

Operating profit/(loss) is stated after charging:

	2013 £m	2012 £m
Amortisation of intangible assets	**10.6**	10.8
Depreciation of owned fixed assets	**15.9**	18.6
Operating lease costs:		
- Plant and equipment	**7.1**	4.1
- Other	**0.3**	0.3

Auditors' remuneration is borne by the ultimate parent company, Marston's PLC. Neither the Company nor the Group incurred any non-audit fees during the period (2012: £nil).

5. Employees

During the period the Group paid £67.5m (2012: £64.1m) 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.

6. Exceptional items

	2013 £m	2012 £m
Recognised in arriving at operating profit/(loss):		
Impairment of tangible fixed assets	**-**	(218.7)
Reversal of impairment of tangible fixed assets	**0.9**	9.9
Impairment of assets held for sale	**-**	(0.7)
Recognition of provision for repayment of Rank refunds received	**(0.4)**	-
	0.5	(209.5)

6. **Exceptional items** ***(continued)***

In previous periods the Group received refunds totalling £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. HMRC issued protective assessments to recover the repayments pending the result of further Court hearings. On 30 October 2013 the Court of Appeal found in favour of HMRC and as such it is likely that the Group will be required to repay the refunds of £0.4 million plus interest thereon. A provision for these amounts has therefore been recognised in the period.

There is a tax credit of £0.1m (2012: £0.1m) in respect of the above exceptional items.

7. **Interest receivable**

	2013	2012
	£m	£m
Bank interest receivable	**0.1**	0.2
Release of interest rate swaps	**0.9**	0.9
	1.0	1.1

8. **Interest payable and similar charges**

	2013	2012
	£m	£m
Securitised debt	**61.8**	57.5
Subordinated loan from Group undertaking	**75.0**	49.6
Interest on outstanding tax liabilities	**0.4**	1.1
Other similar charges	**1.7**	0.9
	138.9	109.1

9. **Taxation**

(a) Analysis of charge in the period

	2013	2012
	£m	£m
Current tax:		
In respect of the period:		
UK Corporation tax based on the results for the period	**(6.6)**	(0.6)
Adjustments in respect of prior periods	**(0.3)**	0.3
Total current tax	**(6.9)**	(0.3)
Deferred tax:		
Origination and reversal of timing differences	**0.3**	0.6
Effect of change in tax rate	**(2.2)**	(1.4)
Total deferred tax (note 20)	**(1.9)**	(0.8)
Tax on loss on ordinary activities	**(8.8)**	(1.1)

9. Taxation *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is higher than (2012: higher than) the standard rate of corporation tax of 23.5% (2012: 25%).

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Group's profits for the accounting period are taxed at an effective rate of 23.5%.

	2013 £m	2012 £m
Loss on ordinary activities before taxation	**(40.5)**	(219.1)
Loss on ordinary activities by rate of tax	**(9.5)**	(54.8)
Effect of:		
Adjustments in respect of prior periods	**(0.3)**	0.3
Expenses not deductible for tax purposes	**3.3**	55.1
Difference between capital allowances and depreciation	**(0.4)**	(0.9)
Total current tax (note 9(a))	**(6.9)**	(0.3)

(c) Factors that may affect future tax charges

The December 2012 Autumn Statement announced that the main rate of corporation tax would change from 23% to 21% with effect from 1 April 2014. The March 2013 Budget then announced that the main rate of corporation tax would change from 21% to 20% with effect from 1 April 2015. These changes were enacted in the Finance Act 2013 in July 2013.

10. Intangible fixed assets

Group

	Goodwill £m
Cost	
At 30 September 2012	**216.2**
Disposals	**(8.4)**
At 5 October 2013	**207.8**
Amortisation	
At 30 September 2012	**73.7**
Charge for the period	**10.6**
On disposals	**(3.0)**
At 5 October 2013	**81.3**
Net book value	
At 5 October 2013	**126.5**
At 29 September 2012	142.5

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 30 September 2012	**1,308.6**	**165.8**	**1,474.4**
Additions	**24.1**	**14.0**	**38.1**
Disposals	**(3.6)**	**(19.8)**	**(23.4)**
Net transfers to/from assets held for sale	**(39.0)**	**(12.0)**	**(51.0)**
Revaluation	**2.0**	**-**	**2.0**
Net transfers to/from Group undertakings	**(3.6)**	**(0.5)**	**(4.1)**
At 5 October 2013	**1,288.5**	**147.5**	**1,436.0**
Depreciation			
At 30 September 2012	**0.1**	**84.7**	**84.8**
Charge for the period	**-**	**15.9**	**15.9**
On disposals	**-**	**(19.0)**	**(19.0)**
Net transfers to/from assets held for sale	**-**	**(5.4)**	**(5.4)**
Net transfers to/from Group undertakings	**-**	**(0.1)**	**(0.1)**
At 5 October 2013	**0.1**	**76.1**	**76.2**
Net book value			
At 5 October 2013	**1,288.4**	**71.4**	**1,359.8**
At 29 September 2012	1,308.5	81.1	1,389.6

If the land and buildings had not been revalued, the historical cost net book value would be £989.1m (2012: £1,019.8m).

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

	2013 £m	2012 £m
Freehold properties	**1,222.8**	1,243.1
Leasehold properties over 50 years unexpired	**62.6**	62.2
Leasehold properties under 50 years unexpired	**3.0**	3.2
	1,288.4	1,308.5

11. Tangible fixed assets *(continued)*

During the current period certain properties were revalued prior to their transfer to Marston's Estates Limited. These revaluations were taken to the revaluation reserve and profit and loss account as appropriate.

At 1 July 2012, independent chartered surveyors revalued the Group's freehold and leasehold properties on an open market value basis. These valuations were incorporated into the financial statements and the resulting revaluation adjustments were taken to the revaluation reserve or profit and loss account as appropriate.

The impact of the revaluations/impairments described above is as follows:

	2013 £m	2012 £m
Profit and loss account:		
Reversal of past impairment	**0.9**	9.9
Revaluation loss charged as an impairment	**-**	(218.7)
	0.9	(208.8)
Revaluation reserve:		
Unrealised revaluation surplus	**1.1**	220.0
Reversal of past revaluation surplus	**-**	(51.5)
	1.1	168.5
Net increase/(decrease) in shareholders' deficit/fixed assets	**2.0**	(40.3)

Capital commitments

	2013 £m	2012 £m
Contracted but not provided for in the financial statements	**2.4**	3.1

The Company had no tangible fixed assets.

12. Investments

Company

	2013 £	2012 £
Cost and net book value		
At 29 September 2012 and 5 October 2013	**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

	2013 £m	2012 £m
Raw materials and consumables	**1.5**	1.6
Finished goods	**4.0**	3.5
	5.5	5.1

The Company had no stocks.

14. Debtors

Group

	2013 £m	2012 £m
Trade debtors	**4.6**	5.9
Amounts owed by Group undertakings	**–**	2.2
Other debtors	**8.2**	7.7
Prepayments and accrued income	**3.0**	2.3
	15.8	18.1

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

The Company had no debtors.

15. Assets held for sale

Group

	2013 £m	2012 £m
Assets held for sale	**50.0**	24.8

During the current and prior period, various properties classed as assets held for sale were reviewed for impairment. This review identified an impairment of £nil (2012: £0.7m) which was taken to the profit and loss account.

The Company had no assets held for sale.

16. Creditors: amounts falling due within one year

Group

	2013 £m	2012 £m
Securitised debt	**23.4**	22.1
Liabilities on interest rate swaps	**0.8**	0.9
Amounts owed to Group undertakings	**0.8**	–
Corporation tax	**1.1**	8.0
Other taxation and social security	**8.7**	6.1
Other creditors	**7.9**	8.9
Accruals and deferred income	**20.2**	20.1
	62.9	66.1

Amounts owed to Group undertakings are unsecured, non-interest bearing 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

	2013 £m	2012 £m
Securitised debt	**964.2**	987.6
12.5% subordinated loan due to Group undertakings	**629.1**	566.1
Liabilities on interest rate swaps	**9.5**	10.3
	1,602.8	1,564.0

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 5 October 2013	Securitised debt £m	Subordinated loan £m	Interest rate swaps £m	Total £m
In one year or less, or on demand	**23.4**	**–**	**0.8**	**24.2**
In more than one year but not more than two years	24.8	–	0.7	25.5
In more than two years but not more than five years	83.4	–	1.7	85.1
In more than five years	856.0	629.1	7.1	1,492.2
	964.2	**629.1**	**9.5**	**1,602.8**

At 29 September 2012	Securitised debt £m	Subordinated loan £m	Interest rate swaps £m	Total £m
In one year or less, or on demand	**22.1**	**–**	**0.9**	**23.0**
In more than one year but not more than two years	23.4	–	0.8	24.2
In more than two years but not more than five years	78.8	–	1.9	80.7
In more than five years	885.4	566.1	7.6	1,459.1
	987.6	**566.1**	**10.3**	**1,564.0**

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 5 October 2013, 104 (2012: 4) of the securitised pubs were sold to third parties and 5 (2012: 5) were sold to another member of the Marston's Group.

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 5 October 2013 consists of six tranches with the following principal terms:

Tranche	**2013 £m**	2012 £m	Interest	Principal repayment period - by instalments	Expected average life	Expected maturity date
A1	**131.6**	147.2	Floating	2013 to 2020	7 years	2020
A2	**214.0**	214.0	Fixed/floating	2020 to 2027	14 years	2027
A3	**200.0**	200.0	Fixed/floating	2027 to 2032	19 years	2032
A4	**215.0**	222.1	Floating	2013 to 2031	18 years	2031
AB1	**80.0**	80.0	Floating	2031 to 2035	22 years	2035
B	**155.0**	155.0	Fixed/floating	2032 to 2035	22 years	2035
	995.6	1,018.3				

Interest on the Class A1 notes was 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 a rate 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 a rate of 5.1774% until April 2027 and thereafter at three month LIBOR plus a margin of 1.45%.
Interest on the Class A4 notes was 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 was 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 a rate of 5.6410% until July 2019 and thereafter at three month LIBOR plus a margin of 2.55%.

Interest of £13.7m (2012: £12.1m) had accrued at 5 October 2013 in relation to the securitised debt.

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 debentures 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 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 the securitised debt is 6.0% (2012: 5.7%) and the weighted average period for which the rate is fixed is 17 years (2012: 18 years).

Fair value of borrowings and derivative financial instruments

	5 October 2013		29 September 2012	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Primary instruments:				
Securitised debt (excluding deferred issue costs)	**(995.6)**	**(971.5)**	(1,018.3)	(879.3)
Subordinated loan	**(629.1)**	**(613.9)**	(566.1)	(488.8)
Cash at bank and in hand	**76.6**	**76.6**	51.0	51.0
	(1,548.1)	**(1,508.8)**	(1,533.4)	(1,317.1)
Derivative financial instruments:				
Interest rate swaps				
Current liabilities	**(0.8)**	**-**	(0.9)	-
Non-current liabilities	**(9.5)**	**(118.8)**	(10.3)	(162.8)
	(10.3)	**(118.8)**	(11.2)	(162.8)

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:

	2013 £m	2012 £m
Provision brought forward	**16.6**	17.4
Profit and loss account movement arising during the period	**(1.9)**	(0.8)
Provision carried forward	**14.7**	16.6

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

	2013 £m	2012 £m
Excess of taxation allowances over depreciation on fixed assets	**14.7**	16.6
	14.7	16.6

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 or substantively 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 £60.9m (2012: £72.6m). 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 5 October 2013 the Group had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2013 £m	2012 £m
Operating leases which expire:		
After more than 5 years	**0.3**	0.3

22. Share capital

Allotted, called up and fully paid:

	2013 No	£m	2012 No	£m
Ordinary shares of £1 each	1	-	1	-

23. Reserves

Group

	Revaluation reserve £m	Profit and loss account £m
Balance brought forward	299.8	(315.4)
Loss for the period	–	(31.7)
Disposal of properties	(1.1)	1.1
Revaluation/impairment	1.1	–
Balance carried forward	299.8	(346.0)

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.

24. Reconciliation of movements in shareholders' deficit

	2013 £m	2012 £m
Loss for the financial period	(31.7)	(218.0)
Unrealised surplus on revaluation of properties	1.1	220.0
Reversal of past revaluation surplus	–	(51.5)
Net reduction to shareholders' (deficit)/funds	(30.6)	(49.5)
Opening shareholders' (deficit)/funds	(15.6)	33.9
Closing shareholders' deficit	(46.2)	(15.6)

25. Post balance sheet events

In November 2013 Marston's PLC entered into a sale and leaseback transaction in respect of 194 pubs held by Marston's Pubs Limited. These pubs will be transferred to Marston's PLC prior to the completion of the sale and leaseback.

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.