MARSTON'S PUBS PARENT LIMITED

ANNUAL REPORT

For the 53 weeks ended 4 October 2008

Registered Number 5453370

MARSTON'S PUBS PARENT LIMITED

ANNUAL REPORT

53 weeks ended 4 October 2008

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MARSTON'S PUBS PARENT LIMITED

DIRECTORS' REPORT

The Directors submit their report and the audited financial statements of the Group for the 53 weeks ended 4 October 2008 (2007: 52 weeks ended 29 September 2007).

Principal activity

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.

Review of business

The Group made a loss after taxation of £7.9m (2007: loss of £18.3m).

On 22 November 2007 £330.0m of secured loan notes were issued by Marston's Issuer PLC in connection with the securitisation of 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.

Performance

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.

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.

Future developments

No changes are anticipated in the nature of the business in the foreseeable future.

Dividends

The Directors do not recommend the payment of a dividend in respect of the current period (2007: £nil).

Directors

The Directors who held office during the period, and up to the date of this report, were as follows:

D Andrew
R Findlay
P Inglett
S J Oliver
A Darby

MARSTON'S PUBS PARENT LIMITED

DIRECTORS' REPORT (continued)

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

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 those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments 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, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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 1985. 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.

PricewaterhouseCoopers LLP has indicated its willingness to continue in office and a resolution proposing its reappointment will be put to the Annual General Meeting.

Approved by the Board on 5 December 2008 and signed on its behalf by

Anne-Marie Brennan
Company secretary
5 December 2008

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 53 weeks ended 4 October 2008 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. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company and the Group as at 4 October 2008 and of the loss of the Group for the 53 weeks then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
5 December 2008

MARSTON'S PUBS PARENT LIMITED

GROUP PROFIT AND LOSS ACCOUNT
For the 53 weeks ended 4 October 2008

	Notes	53 weeks ended 4 October 2008 Before exceptional items £m	53 weeks ended 4 October 2008 Exceptional items £m	53 weeks ended 4 October 2008 Total £m	52 weeks ended 29 September 2007 Before exceptional items £m	52 weeks ended 29 September 2007 Exceptional items £m	52 weeks ended 29 September 2007 Total £m
Turnover		**360.7**	**-**	**360.7**	325.3	-	325.3
Net trading expenses	2	**(257.0)**	**(3.4)**	**(260.4)**	(232.6)	(18.6)	(251.2)
Operating profit/(loss)		**103.7**	**(3.4)**	**100.3**	92.7	(18.6)	74.1
Net interest payable and similar charges	4	**(107.0)**	**-**	**(107.0)**	(87.9)	-	(87.9)
Profit/(loss) on disposal of fixed assets		**-**	**1.3**	**1.3**	-	(2.3)	(2.3)
(Loss)/profit on ordinary activities before taxation		**(3.3)**	**(2.1)**	**(5.4)**	4.8	(20.9)	(16.1)
Taxation charge on (loss)/profit on ordinary activities	5	**(2.7)**	**0.2**	**(2.5)**	(3.1)	0.9	(2.2)
(Loss)/profit for the period	21	**(6.0)**	**(1.9)**	**(7.9)**	1.7	(20.0)	(18.3)

All results relate to continuing operations.

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

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the 53 weeks ended 4 October 2008

	53 weeks ended 4 October 2008 £m	52 weeks ended 29 September 2007 £m
Loss on ordinary activities after taxation	**(7.9)**	(18.3)
Unrealised surplus on revaluation of properties	**-**	142.0
Reversal of past revaluation surplus	**(0.7)**	-
Total recognised (losses)/gains relating to the period	**(8.6)**	123.7

MARSTON'S PUBS PARENT LIMITED

BALANCE SHEETS
As at 4 October 2008

	Notes	Group 4 October 2008 £m	Group 29 September 2007 £m	Company 4 October 2008 £m	Company 29 September 2007 £m
Fixed assets					
Intangible assets	6	**191.3**	180.3	**-**	-
Tangible assets	7	**1,387.1**	1,125.7	**-**	-
Investments	8	**-**	-	**-**	-
		1,578.4	1,306.0	**-**	-
Current assets					
Assets held for sale	9	**6.3**	1.1		
Stocks	10	**2.4**	3.0	**-**	-
Debtors	11	**36.3**	46.8	**-**	-
Short-term investments	12	**-**	-	**-**	-
Cash at bank and in hand		**51.4**	26.8	**-**	-
		96.4	77.7	**-**	-
Creditors (amounts falling due within one year)	13	**(64.4)**	(37.8)	**-**	-
Net current assets		**32.0**	39.9	**-**	-
Total assets less current liabilities		**1,610.4**	1,345.9	**-**	-
Creditors (amounts falling due after more than one year)	14	**(1,488.7)**	(1,215.6)	**-**	-
Provisions for liabilities and charges	17	**(12.2)**	(12.2)		
Net assets		**109.5**	118.1	**-**	-
Capital and reserves					
Called up share capital	20	**-**	-	**-**	-
Revaluation reserve	21	**141.2**	142.0	**-**	-
Profit and loss account	21	**(31.7)**	(23.9)	**-**	-
Total shareholders' funds	22	**109.5**	118.1	**-**	-

The financial statements on pages 5 to 17 were approved by the Board on 5 December 2008 and were signed on its behalf by:

P Inglett

Paul Inglett
Director
5 December 2008

NOTES

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 1985 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 53 weeks ended 4 October 2008 (2007: 52 weeks ended 29 September 2007).

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). 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, machinery, fixtures and fittings are stated at cost.

Freehold buildings are depreciated to residual value on a straight line basis over 50 years. Leasehold properties are depreciated over the lower of the lease period and 50 years. Other tangible assets are depreciated on a straight-line basis to residual value over periods ranging from 3 to 15 years, being their anticipated useful lives.

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.

(g) Fixed asset disposals

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

(h) Stocks

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

MARSTON'S PUBS PARENT LIMITED

NOTES

1 Accounting policies (continued)

(i) 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 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.

(j) Leases

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

(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) Short-term investments

Cash invested in short-term investment funds for which there are no withdrawal penalties and the maturity dates are in excess of 90 days are treated separately as short term investments rather than cash.

(m) 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.

(n) 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 Net trading expenses

	53 weeks ended 4 October 2008 £m	52 weeks ended 29 September 2007 £m
Before exceptional expenses		
Own work capitalised	**-**	(0.4)
Other operating income	**(3.8)**	(3.0)
Raw materials and consumables	**119.7**	108.0
Change in stocks of finished goods	**(1.1)**	0.3
Depreciation of fixed assets	**18.2**	17.2
Amortisation of goodwill	**11.0**	9.9
Other operating charges	**113.0**	100.6
	257.0	232.6
Exceptional expenses		
Impairment of properties (note 7)	**3.8**	18.6
Reversal of impairment (note 9)	**(0.4)**	-
	3.4	18.6
	260.4	251.2

Auditors' remuneration is borne by the ultimate parent company, Marston's PLC. The Company incurred no non-audit fees during the period (2007: £nil).

There is no taxation impact of the above exceptional items (2007: £nil). There is an exceptional tax credit of £0.2m (2007: £nil) in respect of the phasing out of Industrial Buildings Allowances.

3 Employees

During the period the Group paid £61.2m (2007: £59.1m) 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 PLC Group is shown in the consolidated financial statements of Marston's PLC.

4 Net interest payable and similar charges

	53 weeks ended 4 October 2008 £m	52 weeks ended 29 September 2007 £m
Securitised debt	**59.2**	41.9
Subordinated loan from Group undertaking	**47.7**	46.9
Amortisation of issue costs on securitised debt	**2.6**	0.9
	109.5	89.7
Bank interest receivable and similar income	**(2.5)**	(1.8)
	107.0	87.9

5 Taxation

	53 weeks ended 4 October 2008 £m	52 weeks ended 29 September 2007 £m
Current tax:		
Corporation tax on loss for the period	**3.2**	4.3
Adjustments in respect of prior periods	**0.2**	(1.1)
	3.4	3.2
Deferred tax (note 17)	**(0.9)**	(1.0)
Taxation charge on loss on ordinary activities	**2.5**	2.2

The actual tax rate for the period is higher than (2007: higher than) the standard rate of corporation tax of 29% (2007: 30%). The differences are explained below:

	53 weeks ended 4 October 2008 £m	52 weeks ended 29 September 2007 £m
Loss on ordinary activities before tax	**(5.4)**	(16.1)
Loss before tax multiplied by the corporation tax rate of 29% (2007: 30%)	**(1.5)**	(4.8)
Effect of:		
Adjustments in respect of prior periods	**0.2**	(1.1)
Costs not deductible for tax purposes	**3.8**	8.5
Excess of depreciation over capital allowances	**0.9**	0.6
Current period taxation charge	**3.4**	3.2

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 29% and will be taxed at 28% in the future.

6 Intangible fixed assets

	Goodwill £m
Cost	
At 30 September 2007	200.8
Additions (note 18)	23.6
Disposals	(1.8)
At 4 October 2008	**222.6**
Amortisation	
At 30 September 2007	20.5
Charge for the period	11.0
Disposals	(0.2)
At 4 October 2008	**31.3**
Net book value	
At 4 October 2008	**191.3**
At 29 September 2007	180.3

The Company had no intangible fixed assets.

7 Tangible fixed assets

	Land and buildings £m	Plant, fixtures and fittings £m	Total £m
Cost or valuation			
At 30 September 2007	1,039.4	114.8	1,154.2
Additions	26.3	14.8	41.1
Transfers from Group undertakings	251.2	10.9	262.1
Net transfers to assets held for sale	(8.3)	(1.4)	(9.7)
Disposals	(5.7)	(7.4)	(13.1)
Impairment/revaluation	(4.5)	-	(4.5)
At 4 October 2008	**1,298.4**	**131.7**	**1,430.1**
Depreciation			
At 30 September 2007	-	28.5	28.5
Charge for the period	0.1	18.1	18.2
Net transfers to assets held for sale	-	(0.3)	(0.3)
Disposals	-	(3.4)	(3.4)
At 4 October 2008	**0.1**	**42.9**	**43.0**
Net book value			
At 4 October 2008	**1,298.3**	**88.8**	**1,387.1**
At 29 September 2007	1,039.4	86.3	1,125.7

If the land and buildings had not been revalued, the historical cost net book value would be £1,157.1m (2007: £918.6m).

7 Tangible fixed assets (continued)

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

	4 October 2008 £m	29 September 2007 £m
Freehold properties	**1,257.2**	1,006.0
Leasehold properties over 50 years unexpired	**40.4**	32.5
Leasehold properties under 50 years unexpired	**0.7**	0.9
	1,298.3	1,039.4

During the period, various properties were reviewed for impairment prior to their recategorisation as assets held for sale. This review identified an impairment of £3.8m (2007: £18.6m) which has been taken to the profit and loss account.

Independent chartered surveyors Christie + Co revalued the Group estate at 29 September 2007 on an existing use basis.

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

	53 weeks ended 4 October 2008 £m	52 weeks ended 29 September 2007 £m
Profit and loss account:		
Impairment	**(3.8)**	(18.6)
	(3.8)	(18.6)
Revaluation reserve:		
Unrealised revaluation surplus	**-**	142.0
Reversal of past revaluation surplus	**(0.7)**	-
	(0.7)	142.0
Net (decrease)/increase in shareholders' funds/fixed assets	**(4.5)**	123.4

The Company had no tangible fixed assets.

8 Investments

Company

	Subsidiary undertakings £
Cost and net book value	
At 29 September 2007 and 4 October 2008	**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.

9 Assets held for sale

	53 weeks ended 4 October 2008 £m	52 weeks ended 29 September 2007 £m
Properties		
At the beginning of the period	**1.1**	12.4
Net transfers from fixed assets	**9.4**	44.0
Reversal of impairment	**0.4**	-
Disposals	**(4.6)**	(55.3)
At the end of the period	**6.3**	1.1

10 Stocks

	4 October 2008 Group £m	4 October 2008 Company £m	29 September 2007 Group £m	29 September 2007 Company £m
Raw materials and consumables	**1.5**	-	1.0	-
Finished goods	**0.9**	-	2.0	-
	2.4	-	3.0	-

11 Debtors

	4 October 2008 Group £m	4 October 2008 Company £m	29 September 2007 Group £m	29 September 2007 Company £m
Trade debtors	**11.6**	-	5.5	-
Amounts owed by Group undertakings	**9.2**	-	33.1	-
Other debtors	**14.3**	-	8.2	-
Prepayments	**1.2**	-	-	-
	36.3	-	46.8	-

12 Short-term investments

	53 weeks ended 4 October 2008 Group £m	53 weeks ended 4 October 2008 Company £m	52 weeks ended 29 September 2007 Group £m	52 weeks ended 29 September 2007 Company £m
At the beginning of the period	-	-	31.8	-
Disposals	-	-	(31.8)	-
At the end of the period	-	-	-	-

The Group invested in a short-term investment fund. The Group had access to the cash invested in this fund on demand and there were no withdrawal penalties.

13 Creditors (amounts falling due within one year)

	4 October 2008 Group £m	4 October 2008 Company £m	29 September 2007 Group £m	29 September 2007 Company £m
Securitised debt (note 15)	**15.6**	-	11.2	-
Liabilities on interest rate swaps (note 16)	**1.2**	-	0.6	-
Amounts owed to Group undertakings	**7.8**	-	-	-
Corporation tax	**5.6**	-	6.4	-
Tax and social security	**7.4**	-	3.6	-
Other creditors	**10.2**	-	7.1	-
Accruals	**16.6**	-	8.9	-
	64.4	-	37.8	-

14 Creditors (amounts falling due after more than one year)

	4 October 2008 Group £m	4 October 2008 Company £m	29 September 2007 Group £m	29 September 2007 Company £m
Securitised debt (note 15)	**1,065.2**	-	760.9	-
12.5% subordinated loan due to Group undertakings	**409.2**	-	448.1	-
Liabilities on interest rate swaps (note 16)	**14.3**	-	6.6	-
	1,488.7	-	1,215.6	-

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

14 Creditors (amounts falling due after more than one year) (continued)

Group

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

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**

At 29 September 2007	Securitised debt £m	Subordinated loan £m	Interest rate swaps £m	Total £m
In one year or less, or on demand	**11.2**	**-**	**0.6**	**11.8**
In more than one year but not more than two years	11.8	-	0.5	12.3
In more than two years but not more than five years	39.6	-	0.4	40.0
In more than five years	709.5	448.1	5.7	1,163.3
	760.9	**448.1**	**6.6**	**1,215.6**

15 Securitised debt – Group

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 53 weeks ended 4 October 2008 28 (52 weeks ended 29 September 2007: 183) of the securitised pubs were sold to third parties (note 18). During the 53 weeks ended 4 October 2008 the Group acquired 437 pubs (52 weeks ended 29 September 2007: 72) (note 18).

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 4 October 2008 consists of six tranches with the following principal terms:

Tranche	2008 £m	2007 £m	Interest	Principal repayment period – by instalments	Expected average life	Expected maturity date
A1	**202.4**	214.4	Floating	2008 to 2020	4 years	2012
A2	**214.0**	214.0	Fixed/floating	2020 to 2027	11 years	2019
A3	**200.0**	200.0	Fixed/floating	2027 to 2032	19 years	2027
A4	**246.2**	-	Floating	2008 to 2031	4 years	2012
AB1	**80.0**	-	Floating	2031 to 2035	4 years	2012
B	**155.0**	155.0	Fixed/floating	2032 to 2035	11 years	2019
	1,097.6	783.4				

15 Securitised debt – Group (continued)

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 Group balance sheet at 4 October 2008 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	(37.4)
Amortisation of deferred issue costs	4.6
Carrying value at 4 October 2008	**1,080.8**

Interest of £13.8m (2007: £8.9m) had accrued at 4 October 2008 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 5.4% (2007: 5.3%) and the weighted average period for which the rate is fixed is 11 years (2007: 12 years).

16 Financial instruments – Group (continued)

Fair value of borrowings and derivative financial instruments

	4 October 2008 Book value £m	4 October 2008 Fair value £m	29 September 2007 Book value £m	29 September 2007 Fair value £m
Primary instruments:				
Securitised debt (excluding deferred issue costs)	**(1,097.6)**	**(844.5)**	(783.4)	(747.6)
Subordinated loan	**(409.2)**	**(314.9)**	(448.1)	(427.6)
Cash at bank and in hand	**51.4**	**51.4**	26.8	26.8
	(1,455.4)	**(1,108.0)**	(1,204.7)	(1,148.4)
Derivative financial instruments:				
Interest rate swaps				
Current assets	**-**	**-**	-	2.3
Current liabilities	**(1.2)**	**-**	(0.6)	-
Non-current liabilities	**(14.3)**	**(38.5)**	(6.6)	(1.6)
	(15.5)	**(38.5)**	(7.2)	0.7

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

17 Provisions for liabilities and charges

Group

	Deferred tax £m
At 30 September 2007	12.2
Profit and loss account	(0.9)
Transfers from Group undertakings	0.9
At 4 October 2008	**12.2**

The amount provided in respect of deferred tax is as follows:

	4 October 2008 £m	29 September 2007 £m
Excess of capital allowances over accumulated depreciation	**12.2**	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 £105.9m (2007: 96.4m) . 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 Disposals and acquisitions

During the period 28 pubs were sold separately to third parties.

On 22 November 2007, the Group acquired the trade, assets and liabilities of 437 pubs from fellow subsidiary undertakings of Marston's PLC for £289.9m. Net assets acquired are summarised below.

	£m
Tangible fixed assets	262.1
Debtors	6.0
Cash	2.0
Creditors: amounts falling due within one year	(2.9)
Provisions – deferred tax	(0.9)
Goodwill	23.6
	289.9
Satisfied by:	
Cash	289.9
	289.9

The fair value of tangible fixed assets acquired was established following a review of properties that was carried out by independent qualified surveyors Christie + Co. Properties were valued at their existing use value. There is no material difference between fair value and book value for all assets and liabilities.

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.

19 Commitments under operating leases

The Group had annual commitments under non-cancellable operating leases as set out below:

	4 October 2008		29 September 2007	
Operating leases which expire:	**Land and buildings £m**	**Other £m**	Land and buildings £m	Other £m
Within one year	-	-	-	-
Within two to five years	-	-	-	-
After five years	0.2	-	0.1	-
	0.2	-	0.1	-

20 Called up share capital

Authorised	**4 October 2008 £**	29 September 2007 £
1,000 ordinary shares of £1 each	**1,000**	1,000

Allotted, issued and fully paid	**4 October 2008 £**	29 September 2007 £
1 ordinary share of £1	**1**	1

21 Reserves

Group

	Revaluation reserve £m	Profit and loss account £m
At 30 September 2007	142.0	(23.9)
Reversal of past revaluation surplus	(0.7)	-
Transfer to profit and loss account	(0.1)	0.1
Loss for the financial period	-	(7.9)
At 4 October 2008	**141.2**	**(31.7)**

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.

22 Reconciliation of movement in shareholders' funds/(deficit)

	53 weeks ended 4 October 2008 £m	52 weeks ended 29 September 2007 £m
Loss for the financial period	**(7.9)**	(18.3)
Revaluation of properties	**-**	142.0
Reversal of past revaluation surplus	**(0.7)**	-
Net (decrease)/increase in shareholders' funds	**(8.6)**	123.7
Opening shareholders' funds/(deficit)	**118.1**	(5.6)
Closing shareholders' funds	**109.5**	118.1

The Company had shareholders' funds of £1 at the beginning and end of the financial period, representing its share capital only.

23 Ultimate parent undertaking

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.