

MARSTON'S 

Company number: 00031461



TUESDAY

*Pubs to be
proud of*

ANNUAL REPORT AND ACCOUNTS 2023

Pubs to be proud of

The local pub is at the heart of every community, and we are proud to have a pub for everyone and every occasion: whether that's a family celebration, watching the football with your friends, a social event, or even those last minute 'let's grab a quick drink' conversations.

FINANCIAL HIGHLIGHTS

£872.3m

Revenue
2022: £799.6m

£34.4m

Net cash inflow
2022: £26.2m

(1.5)p

Earnings/(loss) per share
2022: 21.7p

5.1p

Underlying Earnings/(loss)
per share
2022: 4.3p

£(20.7)m¹

Profit/(loss) before tax
2022: £163.4m

£35.5m

Underlying Profit/(loss)
before tax
2022: £27.7m

Our purpose

is to bring people together,
to create happy, memorable,
meaningful experiences.

¹ Includes a £21.6 million net loss in respect of interest rate swap movements, a partial reversal of the £109.2 million net gain reported in FY2022, and £31.2 million of charges in respect of the impairment of freehold and leasehold properties.

We are a focused pub operator, with a culture that places guests at the heart of everything we do.

OUR STRATEGIC PRIORITIES

Strategic report

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READ OUR INSIGHT REPORT
AND TCFD REPORT ONLINE AT
WWW.MARSTONSPUBS.CO.UK

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**WE ARE GUEST
OBSESSED**

**WE RAISE
THE BAR**

**WE WILL
GROW**

The Strategic report, outlined from the inside front cover to page 53 incorporates: Our purpose, At a glance, Chair's statement, Strategic review, Our business model, Our strategy, Strategy in action, Group operational and financial review, Stakeholder engagement and Section 172(1) statement, Non-financial and sustainability information statement, ESG: Doing more to be proud of, and Risk and risk management.

By order of the Board:
Hayleigh Lupino, Chief Financial Officer

Alternative performance measures (APMs) are defined and reconciled into the statutory equivalent in the Additional Information section on page 154.

At a glance

Pubs to be proud of

With circa 11,000 employees operating over 1,400 predominantly community pubs, Marston's has the perfect pub, ready to give a warm welcome, whatever the occasion. We are truly guest obsessed, and our guests are at the heart of every decision we make, from developing our award-winning menus and evolving our drinks range, to our pub teams being focused on consistently delivering a great experience.

Our core strategy and vision is delivering 'Pubs to be proud of'. Our strategy is underpinned by three core goals relating to guest satisfaction, team engagement and pub standards, which are measured through clear KPIs and embedded in our incentive schemes across the whole organisation. We achieve our goals, sustainable growth and value creation through our focus on people, experiences and responsibility.

730
Partnership pubs

230
Tenanted & Leased

454
Managed pubs:

100 Signature
328 Community
26 Bars

People

At Marston's, people make pubs. We are a people-powered business and we work hard to attract, retain and develop the best talent; from our hard-working pub teams and entrepreneurial Pub Partners, who take pride in ensuring that every guest feels valued, to the people in our support functions (our Pub Support Centre) who are focused on ensuring our pubs have the tools, training and support they need to deliver the best experiences.

8.2

Your Voice employee engagement score

Over 300

Apprentices in the business

Experiences

We strive to provide the perfect setting for every guest and every occasion, whether that's meeting friends to watch the football, catching up with family, celebrating an anniversary or simply popping in for a pint or a bite to eat. Our objective is to offer great guest experiences in a quality environment, supported by high-quality products and stand-out service. We listen to our guests, and their feedback helps ensure our offers continue to meet their demands and expectations.

766

Reputation score

Best Neighbourhood Pub menu and Best Premium Pub menu at the MIDAS 2023 Awards

Responsibility

Through our 'Doing more to be proud of' initiative we focus on four core pillars: Planet, People, Product and Policy. These pillars resonate with and reflect our core values and strategic priorities, and they are where we believe we can make the biggest impact and most meaningful contributions for the benefit of all our stakeholders. Our targets include reducing our carbon emissions, water usage and tackling food waste, 5* EHO and supporting our people, whilst having a positive impact on the communities in which we operate. See our Insight Report for more information.

93%

of our pubs 5* EHO

388

EV chargers across our estate, with 5 super-fast charging hubs saving 9 million kg of CO₂

Chair's statement

A year of change

Financial year 2023 saw the first restriction-free year of trading since 2019, and a clean year has taught us a great deal about emerging consumer behaviour, which has informed our future trading strategies, as set out on page 10. Inflationary pressures and interest rates continued to be a factor and, whilst this presented challenges to consumers and businesses alike, the demand to go out and socialise at the local pub remains strong.

As highlighted in the Strategic review that follows we are committed to continuing to simplify the business and operating as efficiently, and cost effectively, as possible.

New Chief Executive Officer

Despite the ongoing challenge of macroeconomics, there is a real sense of momentum across the business, and that the simplification strategy has created a strong platform from which we can continue to grow. To this end, I am very pleased to welcome Justin Platt to the Board as Chief Executive Officer, effective from 10 January 2024. Justin has over 30 years' experience in hospitality and consumer-facing businesses, having spent the last 12 years at Merlin Entertainments, most recently as Chief Strategy Officer.

As well as being a passionate advocate for delivering customer experience, Justin has a proven track record of delivering sustainable business growth through strategic action and is relentless in the pursuit of delivering results.

This complementary skillset equips him perfectly to lead the business in the next phase of its development, supported by a first-class management team. The management team are reporting directly to me in the short interim period before Justin joins us.

I would also like to thank Andrew Andrea for his valuable contribution and commitment to the Company, particularly in recent times, which has been one of the most challenging for our sector. He leaves the Company in great shape with strong future potential, and the Board and I wish him all the very best.

Our purpose, strategy and goals

In pursuit of 'Pubs to be proud of', we operate a high-quality community pub business, with minimal exposure to city centres. Our three core pub goals are focused on our guests, standards and employee engagement, and we have made excellent progress on all three measures in the last year as set out on page 9.

Through our corporate goals we aspire to grow the business with sales in excess of £1 billion and borrowings below £1 billion and, as set out on page 10, we have made good progress on these measures too.

In addition, we are focused on building margins to ensure we are operating as efficiently as possible, as well as becoming more resilient and better placed to withstand any future shocks. We have a medium-term target of 200 basis points over the next three years, and we look forward to reporting our progress on this in financial year 2024 and beyond.

During the year, our purpose to bring people together to create happy, memorable, meaningful experiences has continued to be important. Our pubs are at the centre of the communities they serve and, despite the economic challenges faced by many of our guests, our pubs remain an important place for them to meet, socialise and enjoy a memorable experience.

Trading and outlook

Total retail sales for the Group's managed and franchised pubs increased by 9.8% compared to last year, with like-for-like retail sales up 10.1%, reflecting the resilience of our balanced estate, in terms of both geography and format. We have proactively mitigated cost and margin pressures by taking some price, which has had minimal impact on trading and guest sentiment. This reflects the quality of our offer and range and is augmented by tight cost control within the business.

“The demand to go out and socialise remains strong, and the everyday treat of going to the local pub remains core to many people's lives.”

William Rucker

Chair

Chair's statement continued

Our Board

During the year, the Board reviewed its effectiveness and worked together to ensure that the Group remains resilient and well-placed to continue its positive trajectory. Matthew Roberts, who joined the Board in 2017, will step down at the AGM on 23 January 2024. Following a rigorous external search, I am also pleased to announce the appointment of Rachel Osborne, who will join the Board as an independent Non-executive Director and Chair of the Audit Committee from the same date. I would like to thank Matthew, on behalf of the Board, for his contribution.

Sustainability

Our environmental, social and governance (ESG) strategy is embedded in – and supports – our business strategy through our 'Doing more to be proud of' (DM2BPO) initiative and is driven through our four core pillars: Planet, People, Product and Policy. The People and Planet-positive practices resonate and reflect our core values and strategic priorities, whilst being underpinned by strong Policy – that is, good governance, risk management processes and stewardship. This year our DM2BPO team published our inaugural Insight Report which sets out our aims, targets and intentions, and shines a light on our focus areas, positive impacts and where we can improve.

Shareholder returns

Of our three financial targets, our immediate priority remains to reduce the overall level of borrowing. In light of this, together with the continued macroeconomic uncertainty, and whilst recognising and taking into account the importance of dividends to many of our shareholders, the Board has decided that it would not be appropriate to propose a dividend in respect of financial year 2023. The Board will actively review the timing of the resumption of dividends during the next financial year.

Looking to the future

Many of the economic and political headwinds we faced in 2023 are showing signs of easing. The combination of a less challenging operating environment, a more efficient and resilient business with a sense of momentum and, under new leadership with a first-class management team, is an exciting mix. I am confident Marston's has the strength, positioning and management expertise to deliver the sustainable business growth that will drive value for our shareholders.

Strategic review

A year of simplification

2023 Performance overview

2023 has been a year of focusing on the core estate and our strategic aims with a clear objective to create a simplified, high-quality, predominantly community pub business, with minimal exposure to city centres where demand is more volatile. Our strategy continues to be centred upon delivering affordable pub experiences for our guests in a quality environment, both inside and out. The level of consumer demand remains reassuring, and we have continued to make positive progress on guest satisfaction measures and standards over the year, through our engaged and focused pub teams.

We have traded well during the year, outperforming the market, and have made encouraging earnings progress on last year, despite the challenging macroeconomic environment. In addition, as described below, we have taken cost actions to improve the resilience of the business model and improve profitability for the coming year.

The successful trial of our franchise-style model in our food-led managed pubs, with sales growth significantly exceeding that of our broader food business, provides positive momentum and additional options in optimising our estate.

The performance supports the progress we are making against our strategy and the transformation which has been implemented across the business during the last two years. Our two primary corporate goals remain: to reach two £1 billion financial targets over time, namely to reduce the Group's debt

(excluding IFRS 16 lease liabilities) to below £1 billion by 2026 and the achievement of £1 billion of sales. We continue to make progress on both of these goals.

Trading

Revenue increased by 9.1% to £872.3 million (2022: £799.6 million), total retail sales in the Group's managed and franchised pubs for the 52-week period were +9.8% on last year, and like-for-like retail sales for the year as a whole were up 10.1% versus FY2022.

Both drink sales and food sales have been strong, demonstrating the resilience and appeal of our business. We continue to have confidence that our pub strategy is delivering positive momentum through the challenging macroeconomic environment.

Underlying operating profit excluding income from associates was £124.8 million (2022: £115.4 million). Underlying operating margins were effectively flat compared to last year, with a margin of 14.3% (2022: 14.4%); managing price increases, product mix and efficiencies to preserve margins in a period of high cost inflation. H1 margin was 10.6% and H2 margin was 17.6%.

Underlying operating profit including income from associates was £134.7 million (2022: £118.7 million), an increase of 13.5%. Underlying profit before tax was £35.5 million (2022: £27.7 million). Statutory loss before tax was £(20.7) million (2022: profit of £163.4 million), reflecting the impact of non-underlying items explained later.

Property and net assets

Net assets were £440.1 million (2022: £448.1 million), with net asset value stable at £1.01 per share (2022: £1.02).

The carrying value of the estate remains £2.1 billion (2022: £2.1 billion). As a result of the valuation and leasehold impairment review there is an effective freehold impairment of £24.3 million and a leasehold impairment of £4.9 million. The valuation of non-core pubs and an increase in discount rates have contributed to the impairment. Importantly, despite the valuation reflecting a challenging macroeconomic environment, the value of the core estate has been maintained.

During the year we generated £54.5 million of non-core pub disposal proceeds (net of VAT), which comprised £51.3 million proceeds net of £1.1 million fees and £2.1 million lease liabilities. The net proceeds were above book value.

Debt and financing

The vast majority of our borrowings are long-dated and asset-backed, including the securitisation debt of c.£611 million, which has low interest rates in the current environment and a payment structure that reduces debt. The weighted average fixed interest rate payable by the Group on its securitised debt at 30 September 2023 was 5.1%. The Group has confidence in the loan to value of its debt, which is improving year on year and is currently 68% for debt excluding IFRS 16 lease liabilities, and 53% for the securitisation debt. 93% of our borrowings are hedged and therefore not at risk from any changes in interest rate movements that may occur during the year.

Further detail is set out in the Group operational and financial review on page 12.

Net debt, excluding IFRS 16 lease liabilities, was £1,185 million, a reduction of £31 million from last year (2022: £1,216 million). Total net debt of £1,566 million (2022: £1,594 million) includes IFRS 16 lease liabilities of £380 million (2022: £378 million).

Carlsberg Marston's Brewing Company (CMBC)

Income from associates was £9.9 million (2022: £3.3 million), which is the Group's share of the statutory profit after tax generated by CMBC. CMBC's results show an improvement from last year. Dividends from associates of £21.6 million were received (2022: £19.4 million), the prior year dividend having primarily resulted from one-off working capital movements. We remain confident that we will continue to receive future dividends from CMBC as its trading continues to improve.

Outlook

Costs

As highlighted in our October trading update, as a consequence of pursuing the operational strategy of simplifying the business and driving efficiencies, and following a review of the business structure over the summer, we have reduced head office headcount costs by approximately £5 million, generating savings in FY2024 onwards.

The Group is highly confident of delivering cost efficiencies of at least a further £3 million in FY2024, principally from savings in energy usage and pub labour costs as described in the strategic review below, further improving

Strategic review continued

operating profit margin. These cost reductions are expected to translate into higher pub operating profitability in future years than was previously anticipated. This cost efficiency delivery is not impacted by the changes to National Minimum (Living) Wage (NLW) rates.

As previously guided, we have fixed our energy costs for FY2024 and have secured a significant proportion of our food and drink costs for the year, providing us with a high degree of confidence for the next financial year.

With regard to interest costs as described above, our borrowings are largely long-dated and asset-backed. 93% of our borrowings are hedged and therefore not at risk of changes in interest rate movements that may occur during the year.

It is anticipated that the increases to the NLW rates, which were announced in the recent Autumn Statement will be c.£1 million for H2 of FY2024 (c.£2 million annualised). We intend to mitigate this increase through a variety of actions including the acceleration of our cost efficiency programme, together with price increases where appropriate. Other Autumn Statement measures announced, such as the changes to business rates, are expected to have minimal impact.

Current trading

The positive trading momentum from last year has continued, with like-for-like sales in our managed and franchised pubs since the year end up 7.4% vs the same period last year, with growth in both.

Bookings for the Christmas period are promising and tracking ahead of last year. As always, walk-in trade represents a significant proportion of overall sales over the period; however, the booking momentum demonstrates that, despite economic pressures, people still want to go out and celebrate in a pub.

We remain cognisant of the current macroeconomic environment, and the resulting challenges this brings in respect of cost inflation and the potential impact on disposable income. However, pubs have historically demonstrated their resilience as an affordable treat and there is no discernible evidence in our trading performance to suggest that there has been a material change to consumer behaviour.

Outlook

Looking forward, the combination of our strategy and the principally community location of our pub portfolio positions us well to withstand the challenging consumer environment. In addition, the actions to dispose of non-core pubs and introduce our franchise-style model in our food-led pubs will ensure we have a portfolio of well-invested pubs which will continue to deliver high-quality earnings and sustainable future growth. An improving outlook in which cost headwinds are abating, together with the actions we have taken this year to drive further efficiencies, leaves us confident that Marston's remains well-placed to continue to outperform in the current macroeconomic environment, grow revenue and profitability, as well as deliver improved margin in the year ahead.

MARKET DYNAMICS

Last year saw the first restriction-free financial year of trading since 2019 and, as such, it was the first 'clean' year in which to understand the behaviour of consumers following the pandemic.

We have learnt a great deal to inform our future trading strategies. It is clearer than ever before that delivering a great guest experience is key. Consumers are increasingly demanding in this regard, and our guests are prepared to spend more money when they visit our pubs. Red letter days are becoming more and more important and, from an impulse perspective, the Google search 'Best place for' is increasingly used

by consumers, whether for a great pub garden, televised sport, or dog friendliness. The evolution of working from home is stabilising and, in our view, this behavioural change is best suited to community pub businesses such as Marston's with limited exposure to city centres.

However, inflationary pressures have continued this year, and the UK has seen significant increases in interest rates, both of which have presented challenges to consumers and businesses alike. Despite this, what is clear is that the demand to go out and socialise and enjoy the everyday treat of going to the local pub, remains core to many people's lives.

Our business model

Where people make pubs

We have outlined below our value-creation story – the characteristics of what we do that enables us to create value for all our stakeholders.

Inputs	What we do	Outputs	How we measure value creation
We recruit, reward, and retain the best people who are focused on delivering great guest experiences and have mature employee engagement and feedback systems. We aim to delight our guests whatever the occasion, so they visit our pubs time and time again. Supporting our entrepreneurial Pub Partners to drive their businesses forward and deliver on our shared vision and goals. We work closely with our trusted suppliers, delivering success for all through long-term, mutually beneficial relationships. Engaging with Government and other regulatory and industry bodies ensures the best outcomes for our guests and our business. We play an active role in our communities, generating a positive impact at a local level. Using appropriate Innovation and technology to enhance the guest experience and deliver operational efficiency. We are focused on being a responsible and sustainable business by Doing more to be proud of.	We are a pub company with a core estate of predominantly community pubs. Operating in the mainstream market, we have a pub for every occasion. Our 'brand pub' approach means we are well-hedged against changes in consumer trends and differing levels of disposable income. How we operate Being guest obsessed and people-powered means we invest in systems which enable us to receive and react at pace to feedback and to evolve our estate and offer. Data-driven estate reviews help to determine the best format and operating model for our pubs as well as to inform our future disposal/acquisition strategy. Ongoing simplification of the business resulting in enhanced revenue performance and cost reduction. Evolving our menus and our drinks range resulting in a simplified category approach driving guest satisfaction and efficiency.	Revenues Revenue increased by 9.1% to £872.3 million, working towards our goal of £1 billion sales by 2026. Cash flow Generating cash supports the achievement of our borrowings target; providing optionality on the allocation of capital in the future. Reinvesting in our pub estate We are making progress towards a more structured maintenance cycle; ensuring we touch more pubs at a greater pace and maintain performance at our Pubs to be proud of.	PEOPLE For our people Employee engagement score of 8.2 Aggregate participation rate 84% For our partners Participation in Partners Your Voice survey 75% Voted no.1 pub company in the Pub Code Adjudicator Tenant/Tied Partners survey for 2023 no.1 EXPERIENCES For our guests Reputation score of 766 RESPONSIBILITY For our communities and society See our new Insight Report at www.marstonspubs.co.uk For our shareholders Stable NAV per share £1.01 Carrying value of the estate £2.1bn Continued progress with debt reduction strategy

Factors that influence long-term growth:

Market dynamics
SEE PAGE 6

Risks
SEE PAGE 40

DM2BPO
SEE PAGE 23

Governance
SEE PAGE 54

Our strategy

A clear guest-focused pub strategy

*Pubs
to be
proud of*

STRATEGIC PRIORITIES

**WE ARE GUEST
OBSESSED**
**WE RAISE
THE BAR**
**WE WILL
GROW**

CORE PUB GOALS

1 Loved by guests

All of our pubs to have a Reputation score of 800 or more.

800+

2 Trusted

All of our pubs to be 5* EHO.

FOOD HYGIENE RATING
0 1 2 3 4 **5**

3 Great place to work

Your Voice employee engagement score of 8 or more.

8+

4 Sales culture

*Never full,
fancy another*

CORE CORPORATE GOALS

**5 Better than
the rest**

Consistent market outperformance.

**6 Responsible
business**

Committed to being a responsible and sustainable business.

**7 Back to
a billion**

Borrowings below £1 billion by 2026, sales above £1 billion.

**8 Driving
efficiency**

Margin improvement of at least 200 basis points by 2026. This will be reported on in the next financial year.

**FINANCIAL STRATEGY
DRIVING SHAREHOLDER VALUE**

Grow earnings
Progressive and sustainable dividend

Reduced debt
Debt: equity transfer

Increased returns
Increased NAV

Our strategy continued

Focused vision, sustainable business, clear goals

Our KPIs represent our principal metrics that we focus on in running our guest obsessed business. They measure our progress in raising the bar on our performance and in growing the business. They also help to determine how we are remunerated.

Key: We are guest obsessed We raise the bar We will grow

REM Linked to remuneration

CORE PUB GOALS

1 Loved by guests REM
All of our pubs to have a Reputation score of 800 or more

Why It's Important
Delivering great guest experiences every time ensures our guests will visit our pubs time and time again.

2 Trusted
All of our pubs to be 5* EHO – %

Why It's Important
Ensuring all of our pubs meet these standards is an integral part of our commitment to deliver our vision of 'Pubs to be proud of'.

3 Great place to work REM
Your Voice employee engagement score of 8 or more

Why It's Important
As a 'people-powered' business, we want to attract and retain the best people.

4 Never full, fancy another sales culture
Spend per head vs LY – %

Why It's Important
A great pub is never full (we can always fit you in) and great pub teams always ask our guests if they would like something else.

CORE CORPORATE GOALS

5 Better than the rest
To be no.1 pub company on Reputation.com

2023 2022
2nd 3rd

Why It's Important
We can see how we compare to our competitors in the eyes of the guest.

6 Responsible business
To remain in the FTSE4Good index

Why It's Important
Creating a sustainable future for our business benefits all of our stakeholders.

7 Back to a billion REM
Total revenue – £m

Net debt (excluding lease liabilities) – £m

Free cash flow – £m

Why It's Important
Reaching our financial goals will stimulate growth and value for all stakeholders.

Strategy in action

Focusing on our vision of 'Pubs to be proud of'

Our vision and strategy is unchanged. That is creating 'Pubs to be proud of', comprising a high-quality, predominantly community pub business, with minimal exposure to city centres.

Operationally, we are focused on the core pillars of driving guest satisfaction in a great environment served by engaged and motivated teams. This remains relevant despite the macroeconomic challenges continuing to impact the consumer.

A key driver of our strategy is simplification. We have two core propositions: Community is our entry point offer, and Signature is our more premium mainstream offer for pubs with a more affluent customer base. Whilst food is clearly important in many of our pubs, we are focused on ensuring that, regardless of food mix, all our pubs are regarded as a place to socialise and have a drink in a welcoming environment. This year we have also undertaken a detailed estate review which enabled us to consider a number of future operational strategies from a rich and relevant data source, from targeted capital expenditure to opportunities linked to cluster planning, including potential acquisitions or disposals. The estate review has been one of the main contributing factors to the increase in our disposals guidance for FY2024.

Financially, we are focused on three key priorities which we are confident will deliver shareholder value in the medium to long term by creating a sustainable business that is growing sales, earnings and cash generation, whilst reducing debt levels and increasing returns.

Borrowings below £1 billion by 2026

This corporate goal is our main strategic focus and where we see the greatest shareholder value creation opportunity. Our actions to achieve this are twofold:

- **Accelerated disposal of non-core assets:** in 2023 we generated £55 million of disposal proceeds (net of VAT) from the sale of non-core assets. Following a further strategic review of the estate we are targeting around £50 million in financial year 2024. Thereafter we are anticipating returning to a natural churn rate of £10–15 million of disposals per annum.
- **Growth of free cash flow:** in achieving the borrowings target we are seeking to maximise the recurring free cash flow of the business which provides us with optionality on the allocation of capital in future, including additional capital expenditure and the reintroduction of dividend payments. Given the hedged debt profile of the business, outside pub EBITDA, the future cash flows are predictable with interest charges falling as we pay down debt and the cessation of pension payments targeted by 2025.

The effective use of capex remains key in both maintaining the quality of the estate and driving future growth. Underpinning the estate repositioning described above is a comprehensive capital programme focused on deploying capital as efficiently as possible and maximising returns. During the year we completed 41 capital schemes and we invested £4 million in our pub gardens. The Group has £50–55 million of capex investment earmarked for FY2024.

Sales above £1 billion

To complement our debt reduction strategy, we will continue the progress made this year on this corporate goal by driving sales and gaining market share. There are five key actions to achieve this:

- **Clear pub goals:** we have previously set out the three core pub goals of high guest satisfaction scores, engaged teams and strong pub standards, and there is a clear correlation between attainment of pub goals and sales. We have made excellent progress on all three measures this year with an average Google star rating of 4.4 and a Reputation score of 766, high employee engagement with an average score of 8.2 and aggregated participation rate of 84%, and over 93% of our managed and partnership pubs have a 5* EHO rating.
- **Driving a stronger sales culture:** our internal call-to-action on driving sales is 'Never full, fancy another' and this is focused on ensuring that we maximise spend per visit and we can always accommodate a guest, regardless of how busy a pub is. During the year, as part of the garden investment programme, we developed our order and pay system further and have seen continued increased usage. In addition, in the final quarter, we launched a drinks incentive for hourly paid team members which increased both drinks volumes and spend per visit and this will be continued into 2024. We also refined our booking system to ensure an improved booking experience for guests and our pub teams alike.
- **Effective category management:** we continue to simplify our product proposition to make our supply chain as efficient as possible and make it simple for our teams to recommend and serve quality drink or food, without compromising guest choice. We have launched a new drinks strategy based on similar principles, which is delivering enhanced margins in the form of upsell opportunities, improved speed of service and reduced stock holding requirements and wastage.

Strategy in action continued

- **Efficient digital and marketing strategy:** an effective marketing strategy underpins increasing footfall and our focus is on ensuring any marketing expenditure is deployed efficiently with the emphasis on maximising activity returns. We have continued to evolve and develop our digital strategy during the year with improved pub websites and the introduction of card-linked partnerships from which we anticipate an uplift in 2024. In addition, our targeted door-drop and digital campaigns in 2023 generated a pleasing return on investment and we shall continue this in the coming year.
- **Development of Marston's franchise style agreements:** the partnership model has been extremely successful in our wet-led pubs since it launched in 2009 and now operates in c.730 pubs. Key to its success is that the model ensures all stakeholders are focused on maximising sales and the 'owner driver' mentality of the partner has delivered consistently strong results. The estate review and simplification of the business has now enabled us to launch the model into food-led pubs with 19 pubs now operating as food-led partnerships. The initial results have been very encouraging and we are targeting 50 pubs (c.11% of our food-led pubs) to be operating under this model by the end of 2024.

Improved business resilience: margin improvement of at least 200 basis points in the medium term

Whilst driving the top line is key to delivering growth, it is equally critical to ensure that those sales are effectively converted into profit. As reported, operating margins effectively remained flat in 2023 following a year of significant inflation, and we are one of the highest margin operators in the sector. Regardless of this already strong position, we believe there are clear opportunities to drive margins harder in the next 2–3 years, including:

- **Pub support centre and culture:** the simplification of the business has enabled us to refine our structure and we reduced central payroll costs by £5 million, of which the vast majority will be realised in 2024. In addition, we have internally launched a focus on cost reduction and 'Every Penny Counts' which is aimed at embedding a culture of reviewing any expenditure across the business, no matter how small.
- **Pub labour:** during the year, we rolled out our labour scheduling system, the final modules of which were implemented in November 2023, providing us with a system to ensure we are deploying labour in our pubs in the most efficient way.

- **Energy:** the increased cost of energy has been widely reported and whilst we are seeing an improvement in energy costs for 2024, we do not anticipate those costs falling back to pre-pandemic levels. The focus is therefore to reduce underlying energy usage through a combination of investment and incentivisation and seek opportunities through innovative power purchasing. We have now completed the rollout of smart meters across the managed and partnership estate and integrated this into our reporting systems, which enables us to monitor usage and identify usage savings at a more granular level.

People

Our people are the main underpin to the performance of our business – in short, happy engaged teams deliver great guest experiences, which deliver higher sales. Our engagement scores have improved in the year and survey participation is extremely high – over 80% of our people have participated in at least one of our monthly surveys during the year.

Employee turnover has reduced during the year and licensee stability remains an important metric in ensuring we have the right operator in every pub, first time.

From a recruitment perspective, we continue to evolve the use of social media platforms and media to attract talent. In addition, we are looking at alternative talent pools, and this year we have made excellent progress on our Excel programme (formerly Latitude) which supports ex-offenders with employment and training opportunities. We have recently launched the 'Lock Inn' in collaboration with HMP Liverpool, which is a training facility inside the prison that we have converted to look and feel like a Marston's pub and will provide guaranteed job opportunities for any ex-offenders that complete the training course upon their release.

The development of internal talent is also key to long-term success. Our Aspire programme which develops deputy managers was successfully launched this year and we plan to extend this in 2024 to increase the pipeline of new licensees, whether that be as a manager or Pub Partner. We have a well-established apprenticeship programme with 306 apprentices within the business at a retention rate of over 75%.

Group operational and financial review

Strong earnings growth

Financial highlights

	Underlying ¹		Total	
	2023	2022	2023	2022
Total revenue	£872.3m	£799.6m	£872.3m	£799.6m
Pub operating profit	£124.8m	£115.4m	£90.2m	£142.1m
Share of associate	£9.9m	£3.3m	£9.9m	£3.3m
Profit/(loss) before tax	£35.5m	£27.7m	£(20.7)m²	£163.4m
Net profit/(loss)	£32.0m	£27.5m	£(9.3)m	£137.2m
Earnings/(loss) per share	5.1p	4.3p	(1.5)p	21.7p
Net cash inflow	£34.4m	£26.2m	£34.4m	£26.2m
NAV per share			£1.01	£1.02
Underlying operating margin	14.3%	14.4%		

¹ Alternative performance measures (APMs) are defined and reconciled into the statutory equivalent in the Additional information section on page 154.

² Includes a £21.6 million net loss in respect of interest rate swap movements, a partial reversal of the £109.2 million net gain reported in FY2022, and £31.2 million of charges in respect of the impairment of freehold and leasehold properties.

Revenue

Revenue increased by 9.1% to £872.3 million (2022: £799.6 million), demonstrating the resilience and appeal of our predominantly community pub estate in the still-challenging macroeconomic environment and with momentum from strong drink and food sales. Our guests still want to visit our pubs for an affordable treat.

Like-for-like retail sales for the year as a whole were up 10.1% versus FY2022, showing positive momentum. Both drink sales and food sales have been strong.

Total retail sales in the Group's managed and franchised pubs for the 52-week period increased by 9.8% to £806.1 million (2022: £734.1 million) and total outlet sales increased by 10.0% to £832.8 million (2022: £757.2 million).

Within our pub business we operated 230 pubs under the traditional tenanted and leased model generating revenues of £39.5 million (2022: £42.4 million). It is still our intention to convert the remainder of the tenanted and leased estate to turnover based models in the medium term.

Accommodation sales grew to £35.6 million (2022: £33.1 million), benefitting from the continuing demand for UK staycations.

Profit

Underlying operating profit excluding income from associates was £124.8 million (2022: £115.4 million). Underlying operating margins were effectively flat compared to last year, with a margin of 14.3% (2022: 14.4%); managing price increases, product mix and efficiencies to preserve margins in a period of high cost inflation. Due to the seasonal nature of the Group's business, the majority of profit is typically earned in the second half of the year. H1 margin was 10.6% and H2 margin was 17.6%.

Underlying EBITDA excluding income from associates increased to £170.3 million (2022: £159.6 million).

Underlying profit before tax increased to £35.5 million (2022: £27.7 million) and statutory loss before tax was £(20.7) million (2022: profit of £163.4 million), reflecting the impact of non-underlying items.

The difference between underlying profit before tax and profit before tax is £56.2 million of non-underlying items, which includes a £21.6 million net loss in respect of interest rate swap movements, £31.2 of impairments to the freehold and leasehold property values, £2.9 million of reorganisation, restructuring and relocation costs and £0.5 million of pension past service costs.

“
Like-for-like retail sales for the year as a whole were up 10.1% versus FY2022, showing positive momentum.”

Hayleigh Lupino
Chief Financial Officer

Group operational and financial review continued

Interest

Our borrowing is largely long-dated and asset-backed. The securitisation is in place until 2035 which provides financing security and high visibility of future cash flows; this is of particular importance in an environment where interest rates have been rising to curb inflation. The securitisation is fully hedged until 2035. Other lease related borrowings are index linked, capped and collared at 1%–4%, providing protection against high inflation. Of our £300 million bank facility, £120 million is now hedged. Overall, we are 93% hedged, providing significant protection against changes in interest rate movements that may occur during the year.

The £60 million forward floating-to-fixed interest rate swap, which was due to take effect from April 2025, was brought forward and started in October 2022.

Taxation

Underlying profit before tax was £35.5 million (2022: £27.7 million) upon which the underlying tax charge was £3.5 million (2022: £0.2 million). This gives an underlying tax rate of 9.9%. The effective tax rate is lower than the standard rate of corporation tax primarily due to the post-tax share of income from associates, additional deductions on which tax relief is available including super-deductions, and an adjustment to the deferred tax on property calculation relating to the prior period.

The total tax credit is £11.4 million (2022: charge of £26.2 million) on a total loss before tax of £(20.7) million (2022: profit of £163.4 million), with an effective tax rate of 55.1%. The key drivers outlined above increase the tax rate (credit) on the total loss for the year, and there is a further positive impact due to the additional tax credits associated with PPE impairments, and the rate difference between current tax and deferred tax.

Non-underlying items

There is a net non-underlying charge of £56.2 million before tax and £41.3 million after tax.

The £56.2 million charge primarily relates to a £21.6 million net loss in respect of interest rate swap movements and a £31.2 million net impairment to the freehold and leasehold property values following the external estate valuation of the Group's effective freehold properties and the impairment review of the Group's leasehold properties undertaken during the year.

Other non-underlying items comprise £2.9 million of reorganisation, restructuring and relocation costs, including the reduction to head office costs detailed earlier, and £0.5 million of pension past service costs.

The tax credit relating to these non-underlying items is £14.9 million.

Earnings per share

Total earnings per share were (1.5) pence loss per share (2022: 21.7 pence per share). Underlying earnings per share were 5.1 pence per share (2022: 4.3 pence per share).

Capital expenditure and disposals

Capital expenditure was £65.3 million in the year, including property acquisitions of £0.4 million (2022: £70.1 million). We expect that capital expenditure will be around £50–£55 million in 2024, as we focus on the most effective use of our capital spend for our well-invested pubs.

During the year we generated £54.5 million of non-core pub disposal proceeds (net of VAT), which comprised £51.3 million proceeds net of £1.1 million fees and £2.1 million lease liabilities. The net proceeds were above book value.

We have concluded a further strategic assessment of assets and in FY2024 we expect to dispose of around £50 million of additional non-core properties.

Group operational and financial review continued

Property

The Group has an annual external valuation of its properties and all pubs are inspected on a rotational basis, with approximately one third of the estate being inspected each year and the remainder subject to a desktop valuation. Christie & Co undertook an external valuation in July 2023 and the results have been reflected in the full year accounts.

The carrying value of the estate remains £2.1 billion (2022: £2.1 billion). As a result of the valuation and leasehold impairment review there is an effective freehold impairment of £24.3 million and a leasehold impairment of £4.9 million. The valuation of non-core pubs and an increase in discount rates have contributed to the impairment. Importantly, despite the valuation reflecting a challenging macroeconomic environment, the value of the core estate has been maintained.

Share of associate – Carlsberg Marston's Brewing Company (CMBC)

Included in our Group income statement, on page 100, is income from associates of £9.9 million (2022: £3.3 million), which is the Group's share of the statutory profit after tax generated by CMBC. CMBC's results show encouraging recovery from last year.

The Group also benefits from dividends received from CMBC, as shown in our Group cash flow statement. Dividends from associates of £21.6 million were received (2022: £19.4 million), the prior year dividend having primarily resulted from one-off working capital movements. Dividends in respect of CMBC's calendar financial year are paid in September in year (for January – June) and March the following year (for July – December). The dividends are generated from CMBC's operating cash flows adjusted for working capital and other movements.

We remain confident we will continue to receive future dividends from CMBC as its trading continues to improve and produce positive results.

Pensions

The balance on our final salary scheme was a £12.9 million surplus at 30 September 2023 (2022: £15.1 million surplus). This change has primarily been driven by the increase in the discount rate assumption, from 5.2% in October 2022 to 5.6% in October 2023, and a fall in asset values. The net annual cash contribution is c.£6m and is only expected to continue for the short term. The results of the next triennial valuation are expected in early 2024.

Debt and financing

The Group remained focused on cash management during the year and continued to prioritise cash preservation whilst maintaining an appropriate level of pub investment to ensure our pubs are well positioned to deliver our strategy.

The Group generated a net cash inflow for the period of £34.4 million including IFRS 16 (£29.3 million excluding IFRS 16). The net cash inflow would have been £63.4 million were it not for the working capital outflows of £29.0 million, principally comprising one-off cash flows arising from the final settlement following our transitional services agreement with CMBC. Future recurring cash flows are expected to be in line with our debt reduction plans, as part of which we are targeting debt reduction of at least £60 million in FY2024.

Net debt, excluding IFRS 16 lease liabilities, was £1,185 million, a reduction of £31 million from last year (2022: £1,216 million). Total net debt of £1,566 million (2022: £1,594 million) includes IFRS 16 lease liabilities of £380 million (2022: £378 million).

There was an operating cash inflow of £141.2 million in the year, ahead of last year (2022: £134.0 million), principally reflecting higher profits in the year. The operating cash inflow would have been £170.2 million were it not for the working capital outflows of £29.0 million.

As set out in our Interim Results, we successfully secured an amendment and extension ('A&E') to our banking facility and private placement to the end of January 2025. The revised £340 million facilities are comprised of a £300 million Revolving Credit Facility (the 'RCF') with the continued support of all of our existing banks and with two new banks keen to join the syndicate, together with a restatement of our current £40 million private placement. The RCF replaces the Group's existing £280 million facility. The facility cost is variable: to be determined by the level of leverage or drawings from time to time alongside changes in the SONIA rate, together with issue costs. As previously reported, £120 million of the facility is hedged.

Group operational and financial review continued

During the period and prior to the A&E, we secured the covenant amendments that we required, as reported in our 2022 financial results, again demonstrating the good relationship and support we continue to have with our banking group and private placement provider. No further covenant amendments have been required.

The Group anticipates commencing formal discussions with the RCF banks and private placement holder in early 2024 in order to secure the refinancing of these facilities to beyond January 2025. Whilst there is no guarantee, based on the successful A&E to the RCF and private placement during the period, and the positive conversations held to date, the Directors are confident that they would expect to be able to secure refinancing on similar terms.

The vast majority of our borrowings are long-dated and asset-backed, including the securitisation debt of c.£611 million, which has low interest rates in the current environment and a payment structure that reduces debt. The weighted average fixed interest rate payable by the Group on its securitised debt at 30 September 2023 was 5.1%. The Group has confidence in the loan to value of its debt, which is improving year on year and is currently 68% for debt excluding IFRS 16 lease liabilities and 53% for the securitisation debt.

The Group's financing, providing an appropriate level of flexibility and liquidity for the medium term, comprises:

- £300 million bank facility to January 2025 – at the year end £229 million was drawn providing headroom of £71 million and non-securitised cash balances of £10 million.
- £40 million private placement in place until January 2025.
- Seasonal overdraft of £5-£20 million, depending on dates – which was not used at the period end.
- Long-term securitisation debt of approximately £611 million – at the year end £10 million of the £120 million securitisation liquidity facility had been utilised, which was repaid in October 2023.
- Long-term other lease related borrowings of £338 million.
- £380 million of IFRS 16 leases.

The securitisation is fully hedged to 2035. Other lease related borrowings are index-linked capped and collared at 1% and 4%. There are £120 million of floating-to-fixed interest rate swaps against the bank facility: £60 million is fixed at 4.03% until 2031 and £60 million is now fixed at 3.45% until 2029.

In summary, we have adequate cash headroom in our bank facility to provide operational liquidity. Importantly, c.93% of our medium to long-term financing is hedged thereby minimising any exposure to interest rate increases that may arise over the next few years.

Going concern

In the Group's base case forecast, no covenants are forecast to be breached within the next 12 months and the Group has adequate liquidity throughout the going concern period.

In a severe but plausible downside scenario only, the Group would be required to amend solely the Interest Cover covenant to our banking and private placement facilities in the outer quarters of the going concern period. Given our experiences to date we would be very confident of securing this where necessary. This has been disclosed as a material uncertainty in the financial statements. Further information is on page 108.

Stakeholder engagement and Section 172(1) statement

Engaging regularly with our stakeholders

Section 172 statement

Under Section 172(1) of the Companies Act 2006 ('Section 172(1)') the Directors are required to act in a way that they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, while also considering the likely consequences of any decisions over the long term and the needs and interests of a broad range of stakeholders. The UK Corporate Governance Code (2018) ('the 2018 Code') also requires the Board to understand the views of the Company's key stakeholders and to periodically review stakeholder engagement mechanisms to ensure they are, and remain, effective.

Stakeholder engagement

We describe below how we have engaged with, and considered the interests and views of, our key stakeholders in pursuit of our vision: Pubs to be proud of. The principles underpinning stakeholder engagement and promoting the success of the Company as set out in Section 172(1) are not only board-level considerations, but they are also embedded in our business. Further examples appear throughout this report and in our Insight Report.

Our stakeholders

Our main stakeholder groups are set out below, with an explanation of why they are key to our business and how our Directors engage with them. We use different methods of engagement to listen to, and help us to better understand, the priorities and needs of each stakeholder group.

People – People make pubs, and our business is built on the strength of our people. They rely on us to provide a safe place to work and development opportunities to realise their potential. Through our SAYE scheme, many employees are also shareholders.

Guests – Our guests are the reason we exist. It is essential that we have systems in place which enable us to receive and react at pace to their changing needs and preferences.

Pub Partners and tenants
– Our Pub Partners rely on us to provide competitive operating agreements and training and support to enable them to run their own businesses. We rely on them to play their part in operating Pubs to be proud of.

Regulators and industry bodies
– We strive for high standards of business ethics and corporate governance and working with those that govern and regulate us helps us to achieve this.

Investors – Our shareholders, bondholders and banking group provide essential sources of capital to support our business objectives. In turn, they expect us to manage their investment in our Company responsibly.

Suppliers – We rely on our suppliers to produce quality products and to provide essential services to operate our business. They rely on us to operate responsibly and generate revenue.

Communities and the environment
– The communities in which we operate, and the wider public, expect us to act in a responsible manner and minimise any adverse impact on the environment.

Stakeholder engagement and Section 172(1) statement continued

Our people

Due to the regular contact they have with other stakeholder groups, such as our guests and suppliers, our people often have first-hand knowledge of how we are performing and how we are perceived. The Board therefore recognises that harnessing employee engagement could help refine their thinking, define strategy and culture, and deliver long-term sustainable success. In return, our people get a real sense of purpose from meeting with our Board and senior management. This year, the Board has engaged with, and considered the views of, our people in the following ways:

Monthly engagement surveys

Our anonymous engagement survey 'Your Voice' is pulsed monthly and with the corresponding engagement KPI, outputs and actions from employee feedback, has helped to embed a culture of listening and engagement at Marston's. This year, we have a combined engagement score of 8.2 and an aggregate participation rate of 84%. Your Voice also provides line managers with a personal dashboard and curated insights enabling them to understand what themes or issues are important to their team, as well as understanding company-wide trends. A thematic report is produced quarterly by our Head of Engagement to the Executive Committee, providing management with oversight of trends across the whole organisation. This year, our people told us that our main strengths are: goal setting, the supportive nature of line managers and the quality of work at Marston's.

Areas identified for improvement included additional support for health and wellbeing. To address this, line managers have a separate health and wellbeing dashboard within Your Voice, with each health and wellbeing 'driver' seeking to measure how supported people feel to stay mentally, socially and physically healthy at Marston's. Our employee-led network groups have also launched a suite of new wellbeing initiatives including: training for line managers in mental health and resilience, free independent advice on financial health and improved employee benefits including discounted gym membership and 'Meal Deals' whilst on shift.

Workforce engagement

This year we reviewed our board-level engagement to ensure effective integration with Your Voice as we considered that board-level workforce engagement works best when it complements and supports existing engagement mechanisms. Bridget Lea is, and remains, our designated Non-executive Director (DNED) responsible for workforce engagement and, as our workforce told us, they really enjoyed having the opportunity to voice their opinion at a meeting chaired by the DNED. However, as part of the review it was determined that we could improve how we leveraged the data we captured through Your Voice to determine the agenda of these meetings to ensure proper focus. This year the main topics discussed at the meeting were: mental wellbeing, our ways of working and how they fit with what our people consider important in life, and valuing the opinion of our workforce, and how each of these priorities can be improved across the whole of the business.

The employees at the meeting represented a diverse cross section of our people from our pub teams and pub managers to a range of support roles at our pub support centre and they were chosen from a shortlist of nominations compiled by our HR Business Partners. At a Board meeting in early 2024, our DNED and the Head of Engagement will present the key outputs and suggested actions to the Board of Directors and the Executive Committee, with any agreed actions to be reported in next year's annual report.

Pub visits

One of the objectives of the forward Board agenda is to consider opportunities for the Board and the Executive Committee to meet and directly engage with our employees or Pub Partners in person. We achieve this by having at least two, two-day meetings each year comprising one 'day in trade' and one day reserved for the Board meeting, but held in function rooms located in one of our pubs. As well as giving the Board a deeper understanding of the business and the people who power it, our employees and Pub Partners have the opportunity to engage with the Directors in an informal setting. We rotate the location of these meetings each year and, this year, the Board visited a cross section of our pubs in Yorkshire and Derbyshire.

Presentations on performance and strategy

Where possible, the CEO and/or the CFO present our trading results to our pub support centre employees in person, with a recording available for everyone else. Our employees tell us through Your Voice that they like to hear from the Directors on how the business is doing and having the opportunity to ask questions is really appreciated.

Whistleblowing

During the year, the Audit Committee received an update on any issues reported through Speak Up, our whistleblowing system. More details are set out on page 71.

Diversity and inclusion

We are committed to promoting an inclusive culture for our people, and our Pub Partners, and we do this through our 'Come as you are' Diversity and Inclusion strategy. More details can be found on page 24 and in our Insight Report, available on our website: www.marstonspubs.co.uk.

Link to strategy

Stakeholder engagement and Section 172(1) statement continued

Our Pub Partners

Whilst our Pub Partners are not directly employed by us, they are an important stakeholder group and a huge part of the people that power our pubs. Like our employees, they also have regular touch points with other stakeholder groups, such as our guests and our employees and a two-way dialogue is important to harness this for combined benefit. Some examples appear below:

Engagement surveys

Since February 2021, our Pub Partners have been encouraged to complete their own 6-monthly Your Voice survey giving them an opportunity to anonymously feed back on all aspects of working with Marston's. The last survey was completed in April 2023 which saw improvements in terms of both engagement levels and outcomes. Currently the aggregate participation rate for our Pub Partners is 75% and according to them the main strengths of working with Marston's were: the meaningful nature of the work and the feedback and insight they get from Marston's, enabling them to understand how their business is doing. The results of the Pub Partner survey are included in the quarterly reports to the Executive Committee.

Reputation

We also provide our Pub Partners with training and support on the use of Reputation.com and how to maximise guest satisfaction and respond to the needs of their guests. More detail on the Reputation platform is provided below.

Training and development

Every Pub Partner receives complimentary access to Marston's Campus, our training and development platform, which includes a number of e-learning courses, webinars and help with apprenticeships. We also support with training record cards for the Pub Partners' team members, providing support for EHO and licencing compliance, and support in gaining the relevant qualification to apply for a personal licence.

Pub visits

As detailed on page 17, the pub visits by our Board include a number of our Pub Partner sites, providing a unique opportunity for the Board to engage directly with Pub Partners about what works well and what could be improved.

Link to strategy

Our guests

Being guest obsessed is one of our main priorities and we engage with our guests to ensure our formats, offers and range of food and drink remain relevant to them.

We partner with Reputation

Our guest experience and online reputation management platform provides a 'one stop shop' for all guest feedback, combining all social media platforms, our internal guest satisfaction survey (Help Raise the Bar) and any direct communications we receive from guests. This platform is used by managed and Pub Partner sites, providing a streamlined and efficient way of managing and engaging with our guests irrespective of format. It also enables us to check, and where necessary to react to, guest-facing business decisions in real time and analyse key themes and trends in the feedback received and put action plans in place to address any issues that might arise. This year, Reputation told us that the key things our guests wanted us to focus on was, the quality of our food and drink, our speed of service and the atmosphere in our pubs.

Panel surveys

We use these surveys to directly panel or test specific points with a cross section of our guests. The survey is completed by a representative panel of guests, from each of our formats, and we can amend that survey to ask specific questions, such as cost of living, food and drink preferences. We can aim to receive around 700 responses within 24 hours.

Link to strategy

Our suppliers

During the year the Board approved and received updates on key contract renegotiations and strategy with key suppliers, including energy, investment in our IT infrastructure and technology and our drinks distribution arrangement with Carlsberg Marston's Brewing Company. In doing so, the Board balanced the benefits of maintaining trusted partnerships with key suppliers alongside the need to extract value for money for our shareholders and good service for our guests, Pub Partners and tenants. Further information on how we engage with our supply chain, on important topics such as ethical sourcing, can be found in our Insight Report.

Link to strategy

Stakeholder engagement and Section 172(1) statement continued

Communities and the environment

Our Insight Report includes a number of key targets where we believe we can make meaningful contributions for the benefit of all our stakeholders, including the community and the environment. The four core pillars of action are Planet, People, Product and Policy, and these pillars resonate with, and reflect, our core values and strategic priorities. The ways in which we engage with stakeholders in these key areas, and how we consider and measure our progress, are set out in more detail in the Insight Report and on page 25.

[Link to strategy](#)

Our investors

Engagement with our shareholders and investor community is essential to ensure that we attract and retain long-term investors, who are supportive of our strategy. We strive to ensure that we provide fair, balanced and understandable information to ensure that all our investors understand our strategy and vision and have clarity over our financial and non-financial performance. An analysis of investor by type can be found on page 159.

The Board engages in a variety of ways, including:

- Regular calls, correspondence and meetings between shareholders and the Chair, the CEO and CFO, covering a variety of issues including governance and remuneration matters, strategy and performance.
- Major shareholders are invited to the annual and half year results presentations.
- Regular communication with institutional investors by the Company Secretary and senior management, particularly on Environmental, Social and Governance (ESG) ESG matters.
- We publish regular financial and trading updates via RNS announcements.
- Regular communication with retail investors by the Company Secretarial team.

The Board also receives regular information on investor sentiment from several sources, notably analyst reports, presentations and reports from the Company's brokers, feedback on market reaction following annual and half year results announcements and reports from the Chair, CEO and CFO. An important way in which we engage with our shareholders is at the annual general meeting (AGM).

All shareholders have an opportunity to ask questions or represent their views formally to the Board at the AGM, or with the Executive Committee after the meeting. The interests of investors were considered as part of the Board's decisions throughout the year.

This year, we engaged with our investors on a number of different subjects, including the Company's performance, our progress against our key corporate goals and ESG matters.

The CFO and our Director of Treasury are responsible for managing the relationships with our banks and bondholders and the management of the Group's financing activities. The CFO and our banking advisers provide regular reports to the Board and the Audit Committee on these activities including the Company's headroom and liquidity, and future financing plans. The CFO and her team also engage directly with our banking group by providing presentations on our strategy and financial performance.

[Link to strategy](#)

The Government and regulators

The Company is subject to a wide range of laws and regulations, and we seek to co-operate and engage constructively with all regulatory authorities. As a responsible business, we continue to work at a business level with Environmental Health, Public Health England, Public Health Wales, the Office of Health Improvement and Disparities and Drinkaware. The Pubs Code regulates the relationship between all pub companies owning 500 or more tied pubs and we engage directly with the Pubs Code Adjudicator on these matters. The Audit Committee has oversight of our tied operations through bi-annual reports from our Code Compliance Officer, in line with our statutory duties. We also work with our peers at both a policy and a local level through UK Hospitality.

[Link to strategy](#)

Stakeholder engagement and Section 172(1) statement continued

Section 172(1) in action

The Board is mindful that sometimes decisions must be made whilst weighing up different, and often competing, priorities. Whilst not all stakeholders' interests fall for consideration in every Board decision, when a relevant matter is reviewed by the Board, the below shows how the Directors consider Section 172(1) in their decision-making process.

A key matter considered by the Board during the year was the impact of rising energy prices and cost inflation, particularly on food and other consumables. The Board considered what effect this could have on our investors, Pub Partners and suppliers if these macroeconomic challenges led to a decrease in consumer demand, and the impact that the mitigating actions taken by the Board could have on the Company's guests, Pub Partners and employees.

Those decisions were monitored closely using the Company's well established stakeholder mechanisms including those for employee, guest and Pub Partner feedback.

There were also similar considerations made by the Board in relation to the simplification of the business and its trading formats as described in more detail on page 10.

The Board considered the impact of this decision on the Company's investors particularly in relation to long-term value creation, whilst balancing and being mindful of the impact on employees and how the decision could be implemented in a way that was as fair and equitable as possible.

Train	Inform	Engage	Link to strategy	Discussion	Decision & action	Review
The Board and operational directors receive regular training on directors' duties, business ethics and Section 172(1). High standards of corporate governance ensure our Board is both diverse and experienced.	Board papers from management highlight any relevant Section 172(1) considerations for the Board to consider.	The Board regularly engages with different stakeholder groups to understand their interests and views.	The Company's culture, values and goals are stakeholder-centric. This helps ensure consideration is given to the interests of those stakeholders and the impact of Board decisions on long-term value creation is tracked, measured and reported.	Section 172(1) matters are considered as part of the Board's discussions on key strategic and operational decisions and how those decisions will affect relevant stakeholder groups and performance.	Once a decision is made, outcomes are, where appropriate, communicated to stakeholders by using one of the mechanisms, as described on pages 16 to 19.	Depending on the outcome of decisions, feedback is gathered and may be subject to further discussion by the Board as a whole.

Non-financial and sustainability information statement

The Company aims to comply with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The information set out below, together with signposts to other relevant sections of the Annual Report and Accounts, Insight Report and our website, is intended to assist stakeholders in understanding the Company's position and approach to the following key non-financial matters.

OUR POLICIES, INSIGHT REPORT, TCFD REPORT AND FOOD SUPPLIER CHARTER CAN BE FOUND ON OUR WEBSITE WWW.MARSTONSPUBS.CO.UK

Reporting requirement	Our policies, standards and guidance that govern our approach	Where to find it
Sustainability	- Our ESG initiative 'Doing more to be proud of' - Taskforce on Climate-related Financial Disclosures (TCFD) report - Our Food Supplier Charter which, amongst other things, sets out our expected sourcing policies and standards - Environmental Policy	PAGE 23 AND OUR INSIGHT REPORT PAGE 26 INSIGHT REPORT
Our people	- Marston's policies are shared with all our employees via the digital 'People Handbook', which can be accessed from either a work or personal device. These policies include: - Health & Safety Policy and Food Safety Policy - Our 'Speak Up' system and Whistleblowing Policy - Equality, Diversity & Inclusion Policy - Our Corporate Hospitality & Gift Policy - Family Leave Policy - We publish our annual Gender Pay Gap report on our website	PAGE 16 STAKEHOLDER ENGAGEMENT PAGE 67 AUDIT COMMITTEE REPORT PAGE 64 D&I AND OUR INSIGHT REPORT PAGE 71 INSIGHT REPORT WWW.MARSTONSPUBS.CO.UK/RESPONSIBILITY
Human rights	- Marston's is committed to respecting and upholding human rights within our business and our supply chain. This is outlined in our Human Rights Policy and Food Supplier Charter - Our Modern Slavery Statement explains Marston's business, its supply chain and the risks, and mitigations, of modern slavery. It includes the use of SEDEX to gain access to ethical information provided online by our suppliers - Our Food Supplier Charter which, amongst other things, sets out our expected ethical standards, including the eradication of unethical business practices and human rights abuses, such as modern slavery and child labour	PAGE 25 PAGE 89 WWW.MARSTONSPUBS.CO.UK/RESPONSIBILITY INSIGHT REPORT

Non-financial and sustainability information statement continued

Reporting requirement	Our policies, standards and guidance that govern our approach	Where to find it
Social matters	- Our ESG initiative 'Doing more to be proud of' - The Pubs Code regulates the relationship between pub companies owning 500 or more tied pubs in England and Wales and their tenants - Our Food Supplier Charter - Our food information system is used to formulate our dishes, identify allergens and communicate food constituents to our guests - Our Procurement Policy allows us to ensure that any goods and services acquired are the result of transparent and objective decision-making, deliver total life cost-efficiencies and manage risk within our extended supply network	PAGE 23 AND OUR INSIGHT REPORT OUR STATEMENT CAN BE FOUND AT WWW.MARSTONSPUBS.CO.UK AND INFORMATION FROM THE PUBS CODE ADJUDICATOR CAN BE FOUND AT WWW.GOV.UK INSIGHT REPORT
Anti-bribery and corruption	- Our Anti-bribery and Corruption Policy and Anti Money Laundering Policy - Our Food Supplier Charter - Our Procurement Policy - Our Fraud Policy	INSIGHT REPORT
Privacy and Data	- Data Protection Policy - Data Privacy notices - Data Security Committee reviews of compliance challenges, breaches, and incident response planning	OUR PRIVACY NOTICES AND STATEMENT CAN BE FOUND AT WWW.MARSTONSPUBS.CO.UK
Due diligence	Due diligence activities during the year have included: - Review and publication of our revised Food Supplier Charter - Pubs Code compliance review by the Audit Committee - Review of corporate policies and developing a People Handbook electronically available to all employees - A programme of pub safety and food supplier audits - Review of our 'Speak Up' Policy and awareness raising and, development of a confidential online portal to make 'Speak Up' reports securely - Data mapping and process recording	INSIGHT REPORT PAGE 67 AUDIT COMMITTEE REPORT
Other matters	- Business model – what we do, our key relationships and the value that is created - KPIs – in addition to financial metrics, we include other non-financial key performance indicators, such as the Your Voice engagement score, 5* EHO and Reputation score of 800 or more - The principal risks detailed in this report include non-financial risks - The function and remit of the Risk & Compliance Committee explained in this report	PAGE 7 PAGE 9 PAGE 43 PAGE 52

ESG: Doing more to be proud of

Responsible and sustainable business

We remain committed to being a responsible and sustainable business by adopting a People and Planet-positive approach for our People, Pub Partners, guests, and the communities we serve.

The principal way in which we do this is through our 'Doing more to be proud of' (DM2BPO) initiative and our focus on four core pillars: Planet, People, Product and Policy. Each of the four pillars connects to the core of what we do and where we believe we can make the biggest impact. The People and Planet-positive practices, and targets championed and implemented by senior leaders responsible for each pillar, reflect our core values and strategic priorities, whilst being underpinned by strong policy – that is, good governance, risk management processes and stewardship.

Many aspects of what we refer to today as 'Doing more to be proud of' have long been part of our business and the way in which we operate. Marston's strategy ensures we deliver Pubs to be proud of, but we believe that our pubs and business model will only endure if they reflect the needs of all our stakeholders and are operated in a sustainable and responsible manner, and this belief is the beating heart of DM2BPO.

To help ensure proper stewardship and accountability, our Board and Executive Committee retain oversight of our ESG strategy and ultimate responsibility for attainment of our targets and climate-related risks and opportunities. However, the DM2BPO taskforce and the steering committees they lead, are the engine room of execution. These cross-functional teams have the expertise, networks and authority to drive the activities that support and help ensure that the strategy is fully integrated

and just another part of 'the way we do things round here'. Our taskforce is supported by steering committees for each of the four pillars, along with our specialist groups for each of the areas of focus, from the impact of climate change from our TCFD and environmental working group, to our inclusion strategy from our D&I taskforce.

This year our DM2BPO team are proud to present our inaugural Insight Report which is a statement of our aims, targets and intentions, and shines a light on our focus areas, case studies and where we think we can improve. As well as monitoring and measuring performance against our targets, looking forward, it is important to us that we have mechanisms in place to evaluate the effectiveness of our initiatives (or potential future initiatives) both in terms of the impact on Marston's and on our key stakeholders. In the medium term, we are working on ways to further embed DM2BPO into our business strategy and operations, by using our existing feedback loops for stakeholder engagement and leveraging these to ensure our strategy and focus areas remain relevant and we are prioritising the right things.

Whilst we would invite you to read the Insight Report in full, we have included a summary of our key targets, actions and outputs on the following pages.

CORE PILLARS OF OUR 'DOING MORE TO BE PROUD OF' INITIATIVE

READ OUR INSIGHT REPORT ONLINE AT
WWW.MARSTONSPUBS.CO.UK

ESG GOVERNANCE STRUCTURE

Board of Directors

Ultimate oversight of our environmental and social impacts and strategy and monitoring ESG-related risks

General Counsel & Company Secretary

Chair of the DM2BPO Taskforce ensuring Executive Committee-level stewardship

'Doing more to be proud of' taskforce

Senior leaders responsible for shaping the strategy and setting and monitoring our targets and commitments

Steering committees

Subject matter experts responsible for ensuring initiatives are just part of 'the way we do things round here'

Supporting groups

Specialist groups for specific areas of focus, including the TCFD and Environmental working groups, the D&I Taskforce and supporting employee-led networks

ESG: Doing more to be proud of continued

PLANET

[Link to strategy:](#)

Responsibility: Director of Property

The planet being our most fragile stakeholder, we want to operate our business and supply chain more efficiently to reduce our energy consumption, emissions and use of precious natural resources like water. We also want to reduce our impact on the environment by reducing or repurposing our waste and encouraging our suppliers to do the same.

We are continually developing our plan for Net Zero and all other aspects of environmental initiatives including waste reduction, recycling and water conservation. More information can be found in our TCFD report.

Key goals

1. Carbon Neutral by 2030 (Scope 1 & 2) and by 2040 (Scope 3).
2. To consider and where possible procure or promote energy from renewable or self-generated sources.
3. To reduce the volume of water we consume across our estate every year.
4. To work with our supply chain to achieve and maintain zero waste to landfill.
5. To reach an overall recycling rate in our business of at least 75%.
6. Increase reclaimed rates of cooking oil to at least 60% compared to what we purchase/consume across our estate.

Main actions this year

- Established our baseline carbon emissions in partnership with the Zero Carbon Forum.
- Worked with suppliers to turn waste into resource and reduce emissions.

Our progress

- Scope 1 & 2 emissions reductions of 3% compared to last financial year.
- This year, we saved 302,575 pints of water per day.
- 99.34% of our waste is directed away from land fill sites, which classifies as zero waste to land fill.
- 58.77% of the total oil purchased was recycled with Olleco to be repurposed as biodiesel, instead of mineral diesel.

- Energy Audits to identify inefficiencies.
- Established a direct partnership with Olleco to turn our waste cooking oil into a valuable resource.

PEOPLE

[Link to strategy:](#)

Responsibility: Director of Learning & Development

At Marston's we truly believe that people make pubs. We embrace the diversity of our employees, our guests and our local pub communities and strive to provide equitable opportunities for growth and social mobility. We want to create an inclusive culture that engages and inspires, and work with charitable partners that share our core values.

The social impact of our business includes the impact we have within the communities of which our pubs are at the heart. It also incorporates the wide range of wellbeing concerns, such as health, food, employment, fairness and equality.

Key goals

7. Our people to rate us 8 or more as part of our monthly engagement surveys, as measured by Your Voice.
8. Utilise as much of the apprenticeship levy each month to maximise investment in our people and partners.
9. Striving towards being an inclusive employer that attracts and appeals to diverse, disadvantaged, and vulnerable groups of people and that nurtures and develops people joining from all backgrounds.
10. Health and wellbeing and diversity and inclusion to be measured and for scores to improve and for employees' comments to help inform and develop our agenda.

Main actions this year

- Our Aspire programme which develops deputy managers was successfully launched and we plan to extend this further in 2024 to increase the pipeline of new licensees.

Our progress

- Current employee engagement score of 8.2 and aggregate participation rates of 84%.
- Average of 80% of levy spend per month, with over 300 apprenticeships in learning across the business.
- This year we have introduced a separate health and wellbeing dashboard within Your Voice, with each health and wellbeing 'driver' seeking to measure how supported people feel to stay mentally, socially and physically healthy at Marston's. After a full year, we will report on progress we have made.
- Continued development of our Excel programme to continue to support prison leavers with skills and employment options, including the opening of 'The Lock Inn', our training kitchen at HMP Liverpool.

ESG: Doing more to be proud of continued

PRODUCT

Link to strategy:

Responsibility: Head of Technical Services

We want to ensure that the food and drink that we source to serve to our guests in our pubs has as little impact on the planet as possible. We also have our guests' interests in mind when we provide as much information as possible about the dishes we serve to help them make healthier choices. We are continuing to look at ways in which we can reduce food waste in our pubs, such as partnering with Too Good To Go and supporting our national charity partner, the Trussell Trust, menu rationalisation and using innovative technology. We are on track to achieve our objective of 50% food waste reduction by 2030.

Our focus remains on being guest obsessed and ensuring that the food and drink we offer supports our guests to make choices based on their health or lifestyle.

Key goals

- 11. 50% reduction in food waste by 2030.
- 12. Authentication of our supply base against our Charters and policies.
- 13. To ensure the product portfolio available and information communicated encourages guests to take responsibility for their health.

Our progress

- 30.41% reduction from our baseline year representing 60.8% achievement of our overall 2030 target.
- 15 supplier audits completed this year in line with our Charter.
- Across our core menus, over 80% of dishes achieve the calorie target (where one exists).

Main actions this year

- Continuous improvement and rationalisation of our menu options to ensure they reflect the preferences of our guests, without contributing to excessive waste, and our partnership with Too Good To Go.
- Ensuring Charter documents are kept relevant and challenging through annual reviews.
- Ability for guests to customise their food and drink to suit their dietary preferences and calorie information made available on menus.

POLICY

Link to strategy:

Responsibility: Director of Corporate Risk

The way in which we do business is embedded into our governance framework which is communicated to our people and partners through pragmatic policies that reflect our ethics and values. We ensure these are effectively communicated, progressively encouraged and monitored for effectiveness.

This includes our external reporting on ESG matters, ESG ratings, supply chain monitoring, compliance and risk management.

Key goals

- 14. All of our pubs to be 5*EHO.
- 15. Maintain our FTSE4Good certification.
- 16. To increase the number of suppliers on SEDEX.

Our progress

- Continual tracking of scores. Currently, 93% of our pubs are at 5* EHO.
- FTSE4Good certification has been maintained for 2023 with a score of 4 out of 5 (an improvement of 0.1 from 3.9 in 2022).
- Currently, 96 of our suppliers have engaged with us on SEDEX (an improvement from 86 in 2022).

Main actions this year

- Our incentive schemes such as the '800 Club' reward consistent performance for our Team members and 5*EHO is one of the requirements to qualify.
- Understand the methodology FTSE4Good use and understand how we can improve and report in sufficient depth to meet their requirements.
- Identify and engage with our suppliers who already contribute data on SEDEX, and engage with our managers and suppliers on issues raised in SEDEX.

ESG: Doing more to be proud of continued Taskforce on Climate-related Financial Disclosures (TCFD)

Marston's has targeted itself to reduce emissions and its overall impact upon the environment. Our pathway to achieving Net Zero is clear.

Our second TCFD report assesses the financial impact of climate change upon our business, the associated risks and opportunities, and the metrics and targets to be achieved.

It is a considerable challenge that is reliant upon reconfiguring our pubs to move away from gas to electricity generated from sustainable sources such as solar, wind and water. In addition, to achieve our plan, it will be important to work with suppliers who are themselves committed to achieving Net Zero within the same time frame as our own. This year we have mapped all the emissions of our supply chain, which in itself is a significant step forward. With this map we can ensure that we are focusing our efforts on the most impactful areas of our supply chain.

Previous environment disclosures are included in our Annual Reports for earlier years, as well as our TCFD report in 2022, available on our website: www.marstonspubs.co.uk

TCFD disclosure compliance

The full financial impact of climate change and Net Zero cannot presently be quantified, though we hope to provide this in future years as the costs and opportunities become more certain. In the meantime, we have reduced our long-term growth rate by 0.2% as a potential impact.

Climate change viability

The risks are not significant enough to impact our viability. We are well placed to deal with challenges, seize opportunities and adapt.

OUR NET ZERO TARGETS

Carbon neutral by 2030
(Scope 1 & 2 emissions)

Carbon Net Zero 2040
(Scope 1, 2 & 3 emissions)

CORE BUSINESS ACTIVITIES IMPACTED

Buildings

Drink supply

Food supply

Logistics to our pubs

KEY CLIMATE-RELATED RISKS

Extreme weather

Legislation

Flooding

Short term (1 to 5 years)

> > > > >

Long term (over 10 years)

> > > > >

Consumer habits

Technology

Water scarcity

Read more about climate-related risks and opportunities on page 30 of this report.

KEY AREAS FOR ACTION ON CLIMATE CHANGE

Procurement

Miles travelled, energy and resources consumed.

Waste

Packaging waste, plastics, volume and recycling levels.

Food wastage

Production, guests, storage and supply chain.

Energy

Sourcing renewable energy, efficiencies, mix of sources, reduction and emissions.

Impact summary

- Two pubs at risk of annual flooding. Flooding damage across the estate over the past 10 years: £2 million.
- An increase in floods over the past 5 years impacting our pubs by 120% compared to the previous 5 years, however, it is too early to say this is part of a discernible longer term trend.

Points of progress

- Calculation of all our Scope 3 carbon emissions across our entire supply chain.
- Net Zero: move towards the electrification of the estate. Enabling the electrical capacity of our pubs and equipment.
- Innovation: installation of over 300 rapid EV chargers in our pub estate, assisting our guests to move to low carbon transport.
- Water conservation: water saved by operating our own water licence.
- Energy efficiency within our buildings, kitchen and equipment. Review and investment.
- Introduction of an Energy Audit process to improve energy performance and completed over 400 energy audits completed this year.
- Promoting awareness through our internal campaigns 'Going Green' and 'Wise up to waste' and internal reporting, through Power BI.
- Guest insight tracking our consumer preferences regarding their choices, price sensitivity versus climate change impact.
- Technology opportunities: investigation and implementation of new catering equipment and specifications to reduce emissions.

ESG: Doing more to be proud of continued TCFD report

This report has followed the guidance set out in the Task Force on Climate-related Financial Disclosures (June 2017) and the implementation advice (issued October 2021).

At the time of publication, we have made climate-related financial disclosures consistent with the TCFD recommendations in our TCFD report against:

- Governance (all recommended disclosures).
- Risk management (all recommended disclosures).
- Strategy (disclosures (a) and (c)).
- Metrics and targets (disclosures (a) and (c)).

The following climate-related financial disclosures are not consistent with the TCFD recommendations:

- Strategy (disclosure (b) – financial impact and disclosure. Due to a lack of reliable data or uncertainty, particularly regarding future weather forecasting, we have further work to do to be able to enhance our disclosures with respect to strategy and the financial impact of climate-related risks. That work is underway and we expect next year to further strengthen the level of compliance with the recommendations.
- Metrics and targets (disclosure (b) – Scope 3 emissions. Our work on scope 3 emissions this year has been limited to food and drink supplies, that being the major area of supply (see page 21). We seek to maintain the collection of this data in future years and its analysis. We expect next year to provide more data about the emissions from other forms of supply.

Please find below a summary of the Task-Force on climate-related disclosures with a key to highlight our progress in achieving them.

Theme	TCFD recommended disclosure	2023	Our disclosure	Where to find it
Governance	a. Describe the Board's oversight of climate-related risks and opportunities	■	The Board is responsible for the strategic direction of the Group, including climate-related risks and opportunities.	PAGE 4 TCFD PAGE 9
	b. Describe management's role in assessing and managing climate-related risks and opportunities	■	The Executive Committee is responsible for ensuring that management has the appropriate resources in place in order to implement our business strategy, including those aspects which connect to climate-related risks and opportunities.	PAGE 51 TCFD PAGE 9
Risk management	a. Describe the organisation's processes for identifying and assessing climate-related risks	■	The risk register for climate change is managed by the Director of Corporate Risk. Formal meetings to assess the risks with the risk owners are held and the assessments are re-evaluated as conditions change, to consider whether the risk could have a material financial impact on Marston's.	PAGE 41 TCFD PAGE 10
	b. Describe the organisation's processes for managing climate-related risks	■	Marston's has three strategic priorities, each of which is linked to the effective control of climate-related risks and opportunities.	PAGE 29 TCFD PAGE 11
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	■	Environmental risks below are assessed in terms of their potential to cause significant impact on our business in either a short, medium or long-term timeframe. We consider how the implementation of identified mitigating factors can support our strategic resilience to climate change.	PAGE 47 TCFD PAGE 12

☐ Recommendations we have made significant progress against, and plan to enhance our disclosure further.

■ Recommendations we have been able to fully disclose against.

ESG: Doing more to be proud of continued TCFD report

Theme	TCFD recommended disclosure	2023	Our disclosure	Where to find it
Strategy	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	■	Risks registered, including business impact, mitigations and linked opportunities.	PAGE 30 TCFD PAGE 12
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	▣	The report shows the links between our three strategic priorities and the actions we take for the sustainable management of procurement, food, waste, general waste, energy usage and investment. The full financial impact of climate change and Net Zero cannot presently be quantified though we hope to provide this in future years as the costs and opportunities become more certain. In the meantime, we have reduced our long-term growth rate by 0.2% as a potential impact. More certainty about the financial cost of converting our premises to electric rather than gas and oil will be forthcoming in the next few years.	PAGE 29 TCFD PAGE 11
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a +2°C or lower scenario	■	The modelling which is most pertinent to our business is for flooding within the UK. Environmental predictions about climate change within the UK up to global warming of 2°C are speculative and impractical, particularly when applied to a large number of individual properties. As an alternative, we have considered which of our properties are in low, medium or high-risk areas for flooding as defined by the Met Office. From our assessment, we do not consider that we have high climate related viability risk in the short to medium term on our direct operations.	PAGE 36 TCFD PAGE 17
Metrics and targets	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	■	Marston's employs the services of an energy bureau (ISTA) to identify our monthly energy usage per site and calculate the total Scope 1 & 2 emissions across our estate. ISTA collects electricity and gas meter readings from our sites, working alongside our Energy Manager to estimate readings, if none are available, and investigate unusual recordings.	PAGE 38 TCFD PAGE 20
	b. Disclose Scope 1 & Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	▣	Marston's provides a full disclosure of Scope 1 & 2 emissions. For Scope 3 emissions, we are making progress with industry partners to calculate these emissions, and collect the data as it becomes available from suppliers. We are collecting data on the emissions attributable to other forms of supply into the business and expect to provide more detail next year.	PAGE 38 TCFD PAGE 20
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	■	Our target is our Net Zero plan and our move towards the electrification of the estate. The financial impact of climate change and Net Zero cannot presently be quantified. We hope to provide more information in future years as the costs and opportunities become more certain.	PAGE 39 TCFD PAGE 21

▣ Recommendations we have made significant progress against, and plan to enhance our disclosure further.

■ Recommendations we have been able to fully disclose against.

ESG: Doing more to be proud of continued TCFD report

STRATEGY

Marston's has a clear guest-focused pub strategy in order to operate 'Pubs to be proud of' which includes the following goals:

- **Loved by guests:** all our pubs with a Reputation score 800 or more.
- **Trusted:** all our pubs to be 5* EHO.
- **Great place to work:** to achieve a Your Voice score of 8 or more.
- **Sales culture:** maximise footfall and sales per guest visit.

Our corporate goal is to be 'Better than the rest' outperforming the market in food and drink sales whilst at the same time being a sustainable and responsible business. To achieve and maintain such goals, Marston's recognises that managing risks is essential. This includes climate-related risks.

Marston's has three strategic priorities, all of which consider climate-related risks and opportunities:

WE ARE GUEST OBSESSED

Marston's aims to deliver what our guests want, which includes making sustainable business choices on their behalf.

Procurement

Marston's considers the environmental record of all major new suppliers. For food suppliers this includes the number of miles that food travels from 'farm to fork' and ethical information is collected from our supplies through our Food Information System – Smart Supplier. For other suppliers we use information from SEDEX, which is an online platform allowing businesses to share information confidentially about their ethical performance. Contingency plans are in place to manage supply chain disruptions should they arise from climate-related or other factors.

Food wastage

Food wastage is responsible for 10% of all global emissions and we have committed to reducing our waste by 50% by 2030, compared to 2019. We have already achieved a 30% reduction through reducing menu options. Food waste is weighed when it is collected by our waste supplier and all food waste is reused to generate energy.

WE RAISE THE BAR

Marston's seeks operational excellence in all aspects of our business and the key to this is the investment that we make into training our people.

Waste

For the last five years, we have run a campaign with our pub teams to segregate waste so that it can be more efficiently recycled. Teams were financially rewarded to increase the proportion recycled.

Energy usage

We have launched a new energy and carbon employee engagement campaign called 'Going Green'. Weekly energy reporting, incentives and training and guidance is given to reduce energy and carbon emissions. We continue to invest in our properties to reduce carbon emissions and energy consumption, including building management systems, induction catering equipment and LED lighting.

WE WILL GROW

Growing our business requires a sustainable platform to perform competitively in the long term. Legislative pressure and economic penalties for companies who are slow to evolve into a Net Zero business are at risk of not adapting.

Sustainability and investment

Our strategy for growing the business includes reducing our reliance on fossil fuels, as well as investing in assets that take advantage of renewable energy. This includes electrification of catering equipment and installation of lower carbon heating systems.

ESG: Doing more to be proud of continued TCFD report

Climate-related risks and opportunities

The potential financial implications of climate-related risks and opportunities are considered below. We do not consider that it is possible to quantify the financial impact of all of these risks and opportunities at this point in time; however, such quantification will be considered on an ongoing basis as the risks or opportunities become more clear, and our TCFD reporting develops.

Risk assessment

The risks below are assessed in terms of their potential to cause significant impact on our business in either a short,

medium or long-term timeframe, where the frequency and severity of the identified risks could be impacted by climate change. We define material climate-related risks and opportunities as those that are sufficiently important to our investors and other stakeholders that they should be reported publicly. We will continually reassess our evaluation of climate-related risks and opportunities disclosed in our TCFD report and Annual Report and Accounts as views of our stakeholders evolve over time.

We will, wherever possible, remove those risks completely that pose a threat to achieving our strategic objectives. If avoidance is impossible, we will seek to mitigate the risk.

We consider that our approach to managing these risks through our strategy to climate change and implementation of identified mitigating factors, supports our strategic resilience to climate-related risks.

With regard to the evaluation of risks and opportunities associated with climate change more time will be required to report against the seven Climate-Related Metrics defined within the guidance for TCFD.

Timeframe

Most of our climate-related risks impact us across short (1–5 years), medium (5–10 years) and long time frames (10+ years). The risks cannot generally be siloed into specific, predicted time periods. The timeframe for short term risks (1–5 years) reflects the fact that

we generally know enough about such risks to structure our development plans and forecast the financial impact. The timeframe for medium risks (5–10 years) captures those risks that have a reasonable likelihood to impact us in the future albeit more difficult to quantify the impact. The timeframe for long term risks (10+ years) captures those risks that might be contingent upon factors in the earlier timeframes or the there is a greater degree of uncertainty about when they will have an impact.

Climate-Related Metrics

As more information becomes available we will look to link our risks to the Climate-Related Metrics defined in the TCFD guidance and the possible quantifications.

PHYSICAL RISKS AND OPPORTUNITIES

Risk	Impact on Marston's	Mitigations	Timeframe
FLOODING			
Linked metric: number of pubs flooded			
An increase in rainfall, or the intensity of rainfall, could lead to an increase in the rate and severity of flooding. Linked opportunity: New technology. We have assisted Previsico with a pilot of their flood early warning system, to monitor and provide alerts of surface water levels and ordinary watercourses. Surface water flooding might otherwise go unnoticed and an early alert provides additional time to react to protect the property. A DEEP DIVE INTO THE FLOODING RISK FOR MARSTON'S IS DETAILED ON PAGE 36	- Properties in the estate susceptible to medium level of flood risk (see Flooding risk deep dive). - Temporary loss of trade for a flooded site. - Costs of repair not covered by insurance. - Increase in insurance premiums. - Reduced disposal proceeds for sites negatively impacted by flood risk devaluation.	- Higher level of flood defence in our high-risk pubs. - All properties are insured for damage caused by flooding and storms above a £1m deductible, with an aggregated claims limit of £3million above which the insurer would compensate all aggregated loss. Marston's owns and operates a captive insurance company registered in Guernsey which insures £750,000 of each loss up to the aggregated claims limit. - Cellar pumps have been deployed in our high-risk pubs and bars, such as Pitcher and Piano in York, to allow continued trading when local water levels are rising. - Investment in riverbanks and river walls by the Environment Agency has increased the protection of our riverside pubs, such as The Swan Hotel in Upton upon Severn. - Disposal of higher risk properties in order to reduce medium to long term risk.	>>>

The timeframe used equates to: >>> Short: 1 to 5 years >>> Medium: 5 to 10 years >>> Long: Over 10 years >>>> Short, medium and long term

ESG: Doing more to be proud of continued TCFD report

PHYSICAL RISKS AND OPPORTUNITIES CONTINUED

Risk	Impact on Marston's	Mitigations	Timeframe
WATER SCARCITY			No linked metric at present
Periods of drought could lead to water scarcity and event driven or extreme weather may cause challenges and disruption in our supply chain. All our sites use water distributed by water wholesalers through their regional networks. Marston's sites have little or no water storage on site so are reliant on main water supply to operate.	- Localised droughts affecting water supply to our pubs. - Increased cost of water supply. - Supply chain disruptions could lead to increased costs and a reduction in margins.	- Preventing climate change through carbon reduction and offsetting. - Reducing water consumption through employee engagement, leak detection and implementation of lower water consumption processes and installation of equipment. - Operation of our water self-supply licence, 'Marston's Water', providing water retail services: this model gives greater control of billing and data, enabling a proactive approach to managing and conserving water. - We are working on data sets that will help us identify properties at a higher risk of water scarcity, and formulate a strategy to address the risk of water scarcity in high use areas in the future.	>>▶
EXTREME & CHANGING WEATHER PATTERNS			No linked metric at present
Extreme weather may cause challenges and disruption in our supply chain. Changing weather patterns, for example longer, sustained periods of hotter or wetter weather may change consumer habits. Linked opportunity: Development of outside areas to take advantage of warmer weather. Commercial advantage in having a relatively high proportion of the pub estate with gardens.	- Supply chain disruptions could lead to increased costs and a reduction in margins. - Dry and warm weather has a positive impact on revenue and profitability across our pub estate, with a larger impact on pubs with dedicated beer gardens and outdoor spaces, and in the period from Easter through to Autumn. The converse is true for periods of wet weather.	- Supply chain disruptions can be mitigated through seeking new suppliers and/or ensuring contingency plans are in place. - Marston's portfolio of pubs is diverse, which positions the business well for periods of both wet and warmer weather.	▶▶▶

The timeframe used equates to: ▶▶▶ Short: 1 to 5 years ▶▶▶ Medium: 5 to 10 years >>▶ Long: Over 10 years ▶▶▶ Short, medium and long term

ESG: Doing more to be proud of continued TCFD report

TRANSITION RISKS AND OPPORTUNITIES

Risk	Impact on Marston's	Mitigations	Timeframe
PENSION SCHEME: VALUE OF INVESTMENTS			No linked metric at present
Long term sustainability issues, including climate-related risks and opportunities, require consideration to maintain the valuation of pension scheme investments.	The absence of good stewardship around sustainability matters could have a material impact on the investment risk and return outcomes of the pension scheme investments.	Investment Managers have full discretion when evaluating ESG issues, including climate change considerations. The Pension Scheme Trustees use ESG ratings provided by the Scheme's investment consultant when appointing and monitoring investment managers.	>>>
LEGISLATION & POLICY			No linked metric at present
Increased risk of non-compliance from accelerated, or new, legislation to support the global climate change agenda. A current example of such legislation is the UK Government's Bill for amending the criteria for Energy Performance Ratings with the proposal requiring all rented non-domestic buildings to be an EPC Band B by 2030.	- Increased costs to adapt and comply with new regulations, for instance any requirement to bring properties in line with EPC Band B criteria. - Increased risk of fines from non-compliance.	- Marston's is currently compliant with the existing EPC legislation and will evaluate any additional expenditure required across the estate to bring all properties to Band B if the future legislation is passed. - Decisions would need to be made as to the viability of specific properties; disposal of properties where cost of compliance is prohibitive and would likely be impacted by devaluation. - Marston's Net Zero strategy may help to anticipate some climate change related regulation and puts us in a good position to be able to adjust and comply in a considered, well-planned manner.	>>>

The timeframe used equates to: >>> Short: 1 to 5 years >>> Medium: 5 to 10 years >>> Long: Over 10 years >>> Short, medium and long term

ESG: Doing more to be proud of continued TCFD report

TRANSITION RISKS AND OPPORTUNITIES CONTINUED

Risk	Impact on Marston's	Mitigations	Timeframe
CONSUMER HABITS			Linked metric: food waste reduction
Change in consumer habits from guest sentiment – prioritisation of sustainable choices. Linked opportunity: New technology. Linked opportunity: Marston's has the largest rapid EV charging network in the industry. Linked opportunity: Increase market share by attracting guests who share a concern for the environment, and who feel Marston's is contributing actively to meeting the climate change challenge. Linked opportunity: Increased sourcing of local food, capturing guests' interest in the distance from 'farm to fork' and supporting local producers with a lower carbon footprint. Linked opportunity: Increased energy efficiency and reduced usage.	- Where consumer preference and demand shift towards more sustainable choices, we would see more demand for food and drink options perceived as responsible or environmentally friendly. This may include guests seeking pubs with local meat and produce suppliers ('farm to fork'), wines that have not been transported across the globe and vegan/vegetarian options. - Guest sentiment to climate change could move demand to pubs which are supportive of investing in new technology to reduce emissions. - Adapting to any changing consumer habits is an opportunity for growth. Failure to adapt could see a reduction in market share.	- Marston's utilises guest insight data to track changes, monitor consumer habits and assess opportunities and risks from changing habits. - Marston's ESG strategy and progress made to date, such as reduction in waste and a rapid EV charging network, puts us in a strong position.	▶▶▶

The timeframe used equates to: ▶▶▶ Short: 1 to 5 years >>> Medium: 5 to 10 years >>> Long: Over 10 years ▶▶▶ Short, medium and long term

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TRANSITION RISKS AND OPPORTUNITIES CONTINUED

Risk	Impact on Marston's	Mitigations	Timeframe
TECHNOLOGY			
Linked metrics: CO₂ emissions and food waste reduction			
As UK and global businesses invest in sustainable technology and production, input costs to our business, including energy and food procurement, could increase. Linked opportunity: Installation and operation of Build Management Systems to monitor and automate heating levels in pubs to reduce energy usage and save costs. Linked opportunity: Automation of when lights in our pubs come on and off to reduce energy usage.	- Global and national action to reduce emissions will likely increase costs of raw materials, production and distribution, increasing costs throughout supply chains. - Cost of energy will be impacted by the changes required to move away from fossil fuels and towards sustainable energy sources. - As the Group proceeds on its path to Net Zero, operating costs could increase in the short term, but making these adjustments sooner will mean the Group is in a competitive position for the future and should reduce its long-term costs.	- Transitioning the business to increased levels of renewable energy, including possible power purchase agreements with renewable generators to increase hedging periods. - Catering equipment is sourced to increase efficiencies including fryers that filter oil to increase oil life and high efficiency chargrills. - Future catering and heating systems to include electric and low carbon technology. This will include upgrades to electric supplies to facilitate the transition to electric and low carbon. - Cabinet refrigerators are high efficiency hydrocarbon units. - LED lighting is installed in all internal areas. - Adopting new technologies comes with additional costs in the short term, however, it may lead to cost savings in the longer term as well as bringing environmental and sustainability benefits, making us more appealing to customers, investors and financial institutions.	▶▶▶

The timeframe used equates to: ▶▶▶ Short: 1 to 5 years ▶▶ Medium: 5 to 10 years >>▶ Long: Over 10 years ▶▶▶▶ Short, medium and long term

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RISK SCENARIO MODELLING

Global temperature scenario modelling

We have considered the following impacts based on scenarios involving different increases in global temperatures. We intend to disclose more information on quantifying these scenarios as more information becomes available. The considerations are as follows:

Below 2°C

Potentially higher transition costs in the short term (1–5 years)/tighter government restrictions/more orderly transition.

Transition risks within this scenario: compliance with government legislation adding to additional operating and reporting costs/additional energy costs associated with carbon fuels/additional cost of compliance and energy costs borne by our suppliers increasing particularly food and drink costs for Marston's/guest opinion divided regarding the measures taken to reduce climate change.

Between 2°C to 3°C

Potentially higher transition cost in the medium term (5–10 years)/more flood costs/more water scarcity/government action delayed but more aggressive in the longer term/more technological opportunities/global economic impacts.

Transitional risks, the same as the 2°C scenario, albeit delayed to within 5–10 years: risk that more flooding creates more repair costs and in certain locations property insurance becomes more expensive/more extreme weather either hot, cold or wet could be difficult to predict and might impact guest behaviour in a negative way including reduced or shortened visits/globally, production and transportation costs could increase in order to absorb transition costs as countries ramp up their response to climate change.

Above 3°C

Lower transition costs in the short term/government action delayed/additional flooding/more heatwaves/increased cooling costs/guest menu choices may change/global economic impacts increased.

Transition risks, same as the previous scenarios albeit relatively delayed further to 10 years or beyond: increased risk of flooding or fire causing damage to properties/risk that government legislation, albeit delayed, is more draconian and imposes a swifter transition that results in higher costs/guests might be more tolerant to changes brought in by the business, accepting that urgent action is required.

Flooding/water scarcity risk scenario modelling

The risk of our pubs impacted by other factors associated with climate change, for instance wild-fire is not thought to be high enough to warrant modelling.

Environmental predictions about climate change within the UK up to global warming of 2 degrees are speculative, particularly when applied to individual properties. Trying to scenario plan what might happen to each of our individual pubs is not economically practical.

At best it could only be done on a small sample of pubs and the results extrapolated across the estate. However, such a method does not justify itself given the speculative nature of the data.

As an alternative we have considered which of our properties are in low, medium or high-risk areas for flooding as defined by the Met Office. It is reasonable to assume that more properties will move to the higher risk end of this spectrum if the global temperature continues to rise. However, what the exponential increase in damage to our own pubs would be is unknown.

Currently, on average, over the last 10 years significant flood damage (greater than £10 thousand per site) only occurs on average 2 to 3 times a year. At present, flooding in our estate is not following any discernible trend which could support any empirical calculation of what the level of damage might be in the future.

We are also in the process of assessing climate related water scarcity risk down to a site level. This will allow us to identify and classify the risk of properties affected by water scarcity dependant on defined climate scenarios.

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Flooding risk deep dive

Over the past 10 years there has been no discernible trend of increased flooding at our properties, albeit the number of floods experienced in the last 5 years is 57% higher than the previous 5 years. It is too early to say whether this is an indication of a long-term trend.

Financial year	Number of floods	Largest loss (pub damage) £('000)	Total loss (pub damage) £('000)
2023	–	–	–
2022	1	73	73
2021	3	773	866
2020	6	103	311
2019	1	133	133
2018	–	–	–
2017	1	37	37
2016	5	197	533
2015	–	–	–
2014	1	32	32
TOTAL	18		1,985

The number of floods we have experienced over the last 10 years does not indicate that the frequency of flooding has increased, however, 10 years of data may not be long enough to capture the broader trend of flooding.

Nationally more severe floods have been reported in the last 20 years, and Marston's pubs have been caught in some wide-area floods reported. These have included:

Financial year	Number of pubs flooded	Town	Loss (£'000)
2016	4	Cockermouth, Cumbria	504
2013	1	St Asaph, Denbighshire	939

We have assessed our surface water and river and sea flood risks according to the Environment Agency data available on [Gov.uk](https://gov.uk). Surface water flooding, sometimes known as flash flooding happens when heavy rain cannot drain away. It is difficult to predict as it depends on rainfall volume and location (it can happen up hills and away from rivers and other bodies of water) and is more widespread in areas with harder surfaces like concrete. River and sea risk considers flood defences.

The assessed risks are not property specific – instead the data is designed to give an indication of risks in geographical areas. The risks are defined as:

- **Very low risk** means that each year this area has a chance of flooding of less than 0.1%.
- **Low risk** means that each year this area has a chance of flooding of between 0.1% and 1%.
- **Medium risk** means that each year this area has a chance of flooding of between 1% and 3.3%.
- **High risk** means that each year this area has a chance of flooding of greater than 3.3%.
- **Acute risk** means site is at risk of annual flooding.

Flood risk – number of sites per risk rating

	Surface Water Risk	River & Sea Risk
Acute risk ¹	2	0
High risk ²	239	30
Medium risk ²	218	60
Low risk ²	362	80
Very low risk ²	571	1,221
Ungraded	22	23
Total	1,414	1,414

¹ As assessed internally

² According to the Environment Agency data set

The table above includes all sites where there is available data.

The Group has moved to annual external valuations of its property portfolio. Pubs are now valued on a rotational basis, with approximately one third inspected each year. The first external valuation on this basis was undertaken in July 2022, the results of which were reflected in the 2022 Annual Report and Accounts.

The valuations consider all factors that could impact valuation and cause financial impairments, impacting the income statement and balance sheet. These will include risks of flooding, increased costs of compliance (e.g. EPC certificates) and any other environmental related factors that may arise.

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Climate-related viability statement

The full financial impact of climate change and Net Zero cannot presently be quantified though we hope to provide this in future years as the costs and opportunities become more certain. In the meantime, we have reduced our long-term growth rate by 0.2% as a potential impact.

The feasibility to convert our pubs over to all electric from gas and oil, and the normal cycle of equipment replacement, reduces the cost impact of the transition to Net Zero.

As a UK pub operator, we do not consider that we have high climate-related risk in the short to medium term on our direct operations. Whilst we do have risks and opportunities, as outlined in this report, the risks are not material enough to impact our viability.

Furthermore, with the actions we have already taken and continue to take in moving our ESG and Net Zero agenda forward, we consider that we are well-placed to deal with any new challenges as they arise, seize new opportunities, and adapt as appropriate.

We will be assessing these risks each year to consider any changes and whether they have a material impact upon our business forecasting.

Climate change opportunities

All businesses around the global will need to adapt to the changing climate; the more successful businesses will at the same time seize the opportunities that come with that adaption.

For commercial reasons we cannot provide figures, however all the following initiatives collectively contributed a significant amount towards our gross profit this year.

In no particular order:

- EV chargers in our pub car parks
- Cooking oil collections from the pubs
- Amazon and In Post lockers
- Clothing banks

ESG: Doing more to be proud of continued TCFD report

METRICS AND TARGETS

This year, where possible, we have calculated the Scope 3 emissions for energy consumed by our supply chain. To achieve this we have worked with the Zero Carbon Forum to identify the emissions associated with the services and goods our industry receives factoring in the specific detail for our own suppliers, for instance where goods are sourced globally.

Our emissions have been assessed in accordance with the 'GHG Protocol Corporate Accounting and Reporting Standard' and in line with Defra's 'Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting Requirements'.

We work with a third-party energy bureau (ISTA) to identify our energy usage per site each month, in order to calculate the total Scope 1 & 2 emissions across our estate. ISTA collects electricity and gas meter readings from our sites, working alongside our Energy Manager to estimate readings where none are available and investigate unusual recordings.

GREENHOUSE GAS EMISSIONS BY SOURCE

(Scope 1 & 2, and Scope 3 relating to business mileage)

Of which	2023	2022
■ Electricity & gas	66,576	66,672
■ Petrol & diesel	1,200	1,135
■ Refrigerants – pubs	4,972	5,061
■ LPG	2,067	1,780
■ Oil	200	185

Notes:

- We report on all the measured emissions sources required under the Companies Act 2006 (Strategic report and Directors' reports) Regulations 2013.
- Data collected is in respect of the year ended 30 June 2023, in accordance with the Streamlined Energy and Carbon Reporting regulation.
- Gas consumption compared to last year decreased by 1%. Electricity consumption decreased by 6%. To reduce the energy consumed we focus each year on various initiatives.
- Our catering equipment is sourced to increase efficiencies including fryers that filter oil to increase oil life, and high-efficiency chaffers. All of Marston's cabinet refrigerators purchased are high-efficiency hydrocarbon units. We install LED lighting in all the internal areas and in our back of house areas use integrated movement sensors, reducing the operational hours of lighting. We also fit voltage optimisation.
- The Greenhouse gas emissions intensity ratio has decreased this year reflecting the total decrease in energy consumed this year of 3%. This reduction is partly as a result of the mild winter this year but also as a result of the initiatives we have taken to increase energy efficiency.
- CAPEX works present an opportunity to reduce energy usage and lower carbon emissions and operating costs. The standard measures included in refurbishment works are:
 - LED Lighting
 - Insulation and draught proofing
 - Heating and hot water controls
 - Cellar fresh air cooling and management systems

ESG: Doing more to be proud of continued TCFD report

TARGETS

Our Net Zero strategy has been developed in alignment with the Zero Carbon Forum, a hospitality sector body which shares expertise for the shared purpose of achieving Net Zero. The forum aims to support the sector to decarbonise at pace and is aiming to push the sector to reach Net Zero by 2040. Our targets for reducing emissions are the same as our plan to achieve Net Zero:

Progress against our roadmap to Net Zero was reported for the first time in our 2022 Annual Report and Accounts within Key Performance Indicators.

As we proceed with the transition to Net Zero it is likely we will adopt additional targets to track progress. We intend to report on these targets as they become operational in future years.

Carbon neutrality by

2030

Scope 1 & 2 emissions

Reach

Net Zero

by 2040 (Scope 3). 2023 is an appropriate baseline given changes to the business in recent earlier years.

Reduce food waste by

50%

by 2030 (measured against 2019 as a baseline)

Introduce the use of

carbon offsets

to cover remaining emissions, which cannot be mitigated using other actions.

As further targets become available we intend to deploy them to disclose in future reports.

Risk and risk management

Managing uncertainty and new opportunities

The current macroeconomic environment has been challenging to operate within this year. Inflationary pressure on consumers led to a cost-of-living crisis, higher mortgage rates have put a squeeze on people's disposable income and energy costs have increased. At Marston's, we have been able to manage this economic risk by continuing to drive our existing strategy, consistently delivering high levels of engagement with our people and guests and raising standards through our great pub teams.

We monitor performance which shows our strategy is mitigating this economic risk as our guests still want to go out and enjoy an affordable treat in our pubs. Our Reputation score continues to improve overall; almost half of our estate is now achieving a score of 800 or more. Safety standards continue to improve; 93% of our managed or partner pubs now score a 5* EHO rating. Our Your Voice engagement score has been maintained at 8.2.

Our People Promise created last year helps to ease the challenging and competitive labour market for us to recruit great talent.

We have been diligent in managing costs during the year, to help mitigate inflationary impacts on the business through a combination of simplifying our processes, reducing stock lines, cost efficiencies and pricing strategies. We have reduced net debt with the aim to achieve a level below £1 billion in 2026. We successfully secured an amendment and extension to our banking facility and private placement to the end of January 2025. The facilities are comprised of both a Revolving Credit Facility (the 'RCF') on a variable rate, which is partially hedged, and securitised debt which is fully hedged until 2035, providing protection against changes in interest rate movements.

Another risk for Marston's is navigating the dynamics of the market in which we operate. Data driven estate reviews have helped to determine the best operating model and format for our pubs, as described further on page 10. This has been a key driver of the increase in disposals this year and our aim to transition 50 pubs into a new partnership agreement for food-led pubs.

Following the separation of systems from CMBC last year, our IT systems have been relatively stable, allowing new business processes to bed themselves in and allow our IT team time to focus on enhancements that will better support our business. This year, our IT network was moved to 'The Cloud', with no disruption to the business, thereby removing physical risks from its operation.

In addition, through comprehensive project planning and meticulous attention to detail, the movement of our main office functions to St Johns House, in Wolverhampton, was managed seamlessly without disruption.

Following the pandemic, global supply of goods has returned to normal, albeit suppliers have been challenged to maintain margin due to energy prices increases and inflation. The delivery of goods to our pubs remains strong despite these challenges and we work closely with our key suppliers to help support their margins, recognising the value of long-term relationships to deal with current risks.

This year, we have also conducted a review of our drinks category, significantly simplifying the range without compromising the offer to our guests.

Our sales culture call to action: 'Never full, fancy another' is core to delivering growth by ensuring that we maximise spend per visit and that we can always accommodate another guest, regardless of how busy a pub is. We introduced new incentive schemes and technology to embed this further. The guest journey has been facilitated by extending the rollout of our booking system across the pub estate to ensure an improved booking experience and enhancing the functionality of our order and pay system, focusing on the outdoor trading opportunities.

Risk management at Marston's

Responsibility for risk management resides throughout the business and our Board and Audit Committee recognise the importance of sound risk management in order to support the achievement of our strategic objectives. Our Executive Committee monitors the control of risk and makes decisions having reviewed sufficient information about the risks and opportunities involved. Risk management is carefully designed into our policies and processes by policy owners. This year we launched our new 'People Handbook' to communicate our policies in a more engaging and organised manner. Read more on our website: www.marstonspubs.co.uk.

We respond to threats and opportunities in our operating environment by designing processes of risk management that mitigate the impact to an acceptable level. Many of the risks faced by our business are due to external factors, some of which, such as inflation and energy prices, are unavoidable and must be robustly mitigated if our strategic objectives are to be met. Our risk management processes aim to anticipate risks before they impact upon our activities, to ensure that we are in the best place to mitigate them and recognise the opportunities they bring in a competitive marketplace. Our guests have a high expectation that our business will operate in a safe manner and our risk management practices are designed, monitored, audited and where necessary re-modelled to protect our reputation for excellent service.

Risk and risk management continued

Risk management is primarily aimed at the control of uncertainty. For all our key risks, we identify the key mitigating controls and their ownership. Our assurance activities are focused upon those key risks so that we continually understand and monitor the strength of our controls. Maintaining a strong relationship with our guests is implicit to our success. As set out on page 10, our Reputation score provides essential information about our levels of service and the scores help us to focus on those sites where improvements have the greatest return.

We build resilience into our supply chain whilst recognising the commercial importance of taking risks within an acceptable tolerance. We invest in our IT network to ensure there is sufficient capacity and resilience to mitigate the threat of disruption. We actively consider and rehearse unexpected scenarios which could impact upon us at short notice. This in turn informs the practices and policies which we follow, and the emergency plans we adopt.

These risks include climate-related risks and formal meetings to assess these risks are held twice a year with the risk owner and, more regularly, the assessments are re-evaluated as conditions change. These assessments consider whether an identified risk could have a material financial impact on Marston's. Climate-related risks have now also been added to the corporate risk register to help to inform the business on the levels of assurance gathered regarding effective risk mitigation. More information can be found in our TCFD report at www.marstonspubs.co.uk.

Our appetite for risk

Marston's is open to taking risks, providing they align with, and help us to achieve, our strategic objectives in a responsible way and within agreed parameters. Marston's will, wherever possible, completely remove risks that pose a threat to achieving our strategic objectives. If avoidance is impossible, we will seek to mitigate risk by investing in effective controls or by sharing risks with a third party. These controls are managed and monitored to give assurance that the risk level is in accordance with the parameters set by the Executive Committee.

It is our understanding that our overriding principle of care for our stakeholders, our communities, and the environment is a priority for our strategic objectives.

We continually review risk to ensure we guard against any threats to health, hygiene, or safety. Our gas price is fixed until the end of March 2025 with no additional incremental spend anticipated. The electricity supply for the business is contracted until the end of FY2024.

This statement represents the Board's appetite for the level of risk which it is prepared to accept to achieve its business strategy. The Board proactively seeks to understand the risks faced and gain a shared understanding of the risk management practices operated and their degree of effectiveness.

Risk and risk management continued

Current key risk drivers

A. Economic, market, operational, guest sentiment

The cost-of-living crisis and reduction in people's disposable income increases the need for our business to remain as an affordable treat. Our marketing aims to ensure that our pubs are appropriately positioned to make the most from occasions when people do go out. During the year, we have outperformed the market, reflecting the efforts taken to keep our offer current and aligned with guest expectations. Whilst the economy is challenging, there exists the opportunity to win market share particularly from more expensive operators.

B. Liquidity and financial covenants

Despite the challenging macroeconomic environment, drink sales have performed well and food sales are encouraging, demonstrating the trading resilience of the predominantly community pub estate. Operating cash inflow and net cash inflow have been sufficient to allow the Company to reduce debt, which in turn mitigates liquidity risk. The demand for our pubs and hotel rooms has remained strong demonstrating our long-term viability. The cost outlook, and consumer confidence, are steadily improving.

C. ESG

Our plan to achieve carbon neutrality has been formulated and this year we have started to prepare our estate for electrification. The achievement of Net Zero will be dependent upon securing renewable energy at an affordable price and, as such, is a moderate risk due to its dependence upon the Government's ability to create more sources of supply. Net Zero is also dependent upon how quickly our suppliers move to Net Zero and our ability to switch products and suppliers. Our energy saving internal campaign 'Going Green' and initiatives rewarding energy conservation help raise awareness and our progress to Net Zero.

Principal risks

The risks are plotted on the matrix according to impact and likelihood. The placing of the risk reflects the position after the mitigation by controls.

Risk and risk management continued

Our principal risks and uncertainties

Considering all known risks that have the potential to impact our performance and our strategy, the following represents the principal risks as recognised by the Board.

Risks change over time and therefore the risks noted here cannot be a complete assessment.

1. ECONOMIC AND POLITICAL

Link to strategy:

Potential impact	Risk context	Risk description	Mitigation
It may become more challenging to secure long-term agreements with our suppliers due to price rises and demand.	- Economic factors such as inflation and high demand for certain commodities and products impact our operating costs and those of our supply chain. - Changes to Government policy can directly target our business and impact our cost base. - Wider legislative changes can also impact our business such as the move to de-carbonise the economy, control inflation or increase taxes.	- The UK, like many countries, is at risk of a recession, exacerbated by high energy costs and global demand for commodities, which could be in short supply. A recession could increase unemployment and further lower consumer confidence. - There is a risk that inflation remains high and interest rates continue to increase and remain high for a long time.	- To constantly review and maintain the positioning of our guest offer at the right price point, to maintain or grow margin whilst remaining competitive. - Continue to lobby Government on matters that are likely to restrict trade or increase costs. - Regularly assess our supply contracts and renegotiate terms when they fall due. - Where feasible, work with our key suppliers to hold sufficient stocks to cover short-term disruption. - Consider alternative sources of supply if our suppliers have trouble importing goods.
Risk movement – No change Inflation impacts the cost base for our business as well as our suppliers and our partners and reduces the purchasing power of our guests.		Linked opportunity Pubs normally remain very competitive when prices are rising in the economy, offering an experience which can be flexed to suit demand. Our ability to track and react quickly to changes in preference could offer a competitive advantage. Our scale of operations and long-term stable relationships with suppliers could also help us control costs better than our competitors.	

Risk and risk management continued

Our principal risks and uncertainties

2. MARKET AND OPERATIONAL/ GUEST SENTIMENT

Link to strategy:

Potential impact	Risk context	Risk description	Mitigation
- Reduction in guest satisfaction levels and repeat visits to our pubs. - Inability to pass increased costs on to our guests thereby reducing our operating margin.	- Revenue is dependent upon being able to offer, and attract our guests to, an enjoyable experience of high-quality food and drink at the right price. - Guest sentiment is affected by a range of external conditions impacting consumer confidence, including cost of living, weather and, in recent years, the pandemic. - We compete for high calibre people to operate our pubs and focus heavily on their training and management. - We carefully choose our suppliers and the food and drink we offer. - The uninterrupted operation of our business is reliant on a continual supply of goods and services, often from single sources.	- As economic factors make it more expensive to go to the pub, guests become more sensitive to experience not meeting expectation. - There is an increased risk that our own prices become uncompetitive, thereby restricting the opportunity to pass on future cost increases. - Consistently maintaining high standards becomes more critical to ensuring our guests return. - Failure to attract, train and retain the best people can impact our pubs' performance. Recruitment remains competitive within a tight labour market and wage inflation. - Disruption to key suppliers, particularly those closely involved with our day-to-day activities, or a shortage of commodities could significantly impact our operations. - These factors could mean that our pubs fail to attract guests due to poor service or quality, or do not keep up with changing preferences.	- Continual assessment of guest preferences using market and consumer insight data. - Analysis of sales performance data of single sites and by pub format. - Pricing strategy built upon careful analysis, in sufficient detail, of guests' sensitivities. - Clear marketing campaigns, including digital marketing. - Tracking our reputational scores on social media and targeting our sites to always improve. - Cost control, including menu margin analysis. - Investment, location and design of our pubs. - Continuous review of our people offer compared to our competitors through participation in appropriate networks. - Improved training, induction and development programmes. - Tracking the engagement of our people and identifying action points for teams. - Offering employee incentives to increase sales. - Continual assessment of suppliers' resilience and capacity. - Contingency planning with suppliers: identifying how products or services can be substituted if necessary.
Risk movement – No change Difficult economic conditions and the cost-of-living crisis continue to impact our guests and the choices they make. We have increased our standards to meet this challenge to satisfy the expectations of our guests and ensure value for money.		Linked opportunity Build our reputation as a trusted, affordable, high-quality experience, gaining additional revenue from guests looking to reduce their spending compared to more expensive competitors.	

Risk and risk management continued

Our principal risks and uncertainties

3. LIQUIDITY

Link to strategy:

Potential impact	Risk context	Risk description	Mitigation
The liquidity of the business could come under strain because of economic pressures on the pub sector, particularly if rising prices cannot be passed on to consumers.	One element of our financial strategy is to reduce debt below £1 billion. The UK economy may go into recession due to inflation, interest rates, volatile energy costs and a fall in consumer confidence.	- As consumers reduce spend in response to higher prices, it is uncertain how this might impact our pubs. - In similar circumstances in the past, pubs have remained attractive and affordable; however, this might not always be the case.	- Significant headroom in our bank facility to provide operational liquidity. See our Viability Statement on page 53. - Reduce debt. - Conserve liquid funds by reducing costs. - Maintain strong relationships with financial backers. - Lobby Government on the importance of the hospitality trade to the UK economy. - Plan for resilience within our financial model to cover an economic downturn.
Risk movement – No change Inflation is falling however, interest rates remain much higher than in recent years. The economic outlook is uncertain, reducing public confidence and impacting the spend available for leisure. The Company mitigates the impact of this by reducing its costs and keeping its offering to consumers attractive and affordable.		Linked opportunity. Higher-priced or less attractive operators could be forced out of the market, creating more opportunity for Marston's to stand out.	

Risk and risk management continued

Our principal risks and uncertainties

4. FINANCIAL COVENANTS, PENSION FUND DEFICIT AND ACCOUNTING CONTROLS

Link to strategy:

Potential impact	Risk context	Risk description	Mitigation
- Reputational damage and additional financial operating restrictions and fees imposed by lenders. - Loss of investor confidence.	- The Company's financial systems handle many transactions accurately and securely. - Precise reporting is key to running the business effectively, and in compliance with our financial covenants.	- It could result in a breach of the covenants with our lenders due to incorrect reporting of financial results. - The pension deficit might also increase if investment yields fall. - Unauthorised transactions could be a major risk along with accounting controls either failing or being overridden.	- Covenant waiver permission sought from bondholders/financial lenders. - Regular detailed management accounts, budgets and forecasts. - Detailed financial data collected from our sites. - Financial auditing of our sites based on data analysis. - Constant monitoring of financial ratios. - Internal and external audits. - Segregation of duties. - Access controls within our systems. - Levels of authority. - Commitment to reduce debt.
Risk movement – No change There are strong controls maintaining this risk to a low level. The impact on our covenants is reduced by clear and regular communications with our lenders.			Linked opportunity To further strengthen our relationships with our bondholders, communicating information periodically on the business and the impact of economic factors on our sector.

Risk and risk management continued

Our principal risks and uncertainties

5. ESG

Link to strategy:

Potential impact	Risk context	Risk description	Mitigation
- The Company could be exposed to additional costs or inefficiencies if forced in the future to act on ESG issues as a result of external pressure or legislation. - Adopting a clear plan on ESG facilitates decision making at the right time, ensuring that investments are made at the appropriate point in terms of cost and efficiency. - There is clear reputational benefit in communicating changes made because they are the right thing to do, rather than being purely reactive. - Initiatives such as the transition to Net Zero build sustainability into our business. Such preparations for the future position the Company to better meet future operating conditions and ensure sustainable success.	- Stakeholder expectation could further drive the ESG agenda in the future, necessitating changes to our business model and increasing our operating costs and reporting responsibilities. - We have seen an increase in climate change-related risks, such as unpredictable and extreme weather conditions and scarcity of natural resources, as well as a strong demand for renewable sources of energy. These factors could lead to supply chain and sourcing disruption as well as impacting trade.	- Without a clear strategy on ESG the Company could find in future that it is forced to make changes to comply with stakeholder expectation or Government legislation. - The reputation of the Company could be damaged if its stance on ESG is not clearly communicated, or if it cannot demonstrate what actions have been taken or targets set. The perception of the Company could be tainted for guests, employees, lenders and investors without a clearly communicated position on ESG issues, backed up by actions and progress against targets. - During our transition to Net Zero, higher energy prices might make it more difficult to source renewable energy at a commercial price. This increases the risk that the transition is delayed or becomes more costly.	- Our plan for achieving Carbon Neutral by 2030 (Scope 1 & 2) and by 2040 (Scope 3). To consider and, where possible, procure or promote energy from renewable or self-generated sources. - To reduce the volume of water we consume across our estate every year. - To work with our supply chain to achieve and maintain zero waste to landfill. - To reach an overall recycling rate in our business of at least 75%. - Increase reclaimed rates of cooking oil to at least 60%, compared to what we purchase/consume across our estate. - Energy contracts to provide price stability. - Supporting our supply chain to achieve Net Zero. - Investment in energy saving projects and technological innovation, such as heat source pumps, building management systems, cellar cooling, voltage optimisation, airflow rather than ventilation and catering equipment efficiency. 50% reduction in food waste by 2030.
Risk movement – No change The impact of climate change upon the planet is becoming more noticeable and more destructive. Pressure remains on the Government to further legislate to move the economy away from its reliance on fossil fuels and penalise future use of such fuels. Currently, energy prices have fallen from the excessively high levels reached last year caused by global events. Our plans to achieve carbon neutrality and Net Zero are dependent upon the Government's ability in the future to provide renewable energy at a reasonable price.		Linked opportunity Our efforts to de-carbonise are supported by our guests and suppliers who themselves are increasingly likely to make sustainable choices.	

Risk and risk management continued

Our principal risks and uncertainties

6. HEALTH & SAFETY, FOOD SAFETY

Link to strategy:

Potential impact	Risk context	Risk description	Mitigation
- Financial penalties on the business. - Significant damage to reputation. - Increased business complexity impacting upon our guests' experience.	- The safety of our guests, our employees, and the general public, is a fundamental priority. We continually seek to drive the highest standards, recognising that lapses in safety potentially damage trust and reputation. - Allergens represent a distinct risk for our business which is reliant upon food sales. The provision of accurate and reliable information on food to our guests is paramount. Our guests trust in our high standards of food hygiene, food preparation and quality	- Breaches of health and safety regulations could attract media attention and potentially high penalties. - Public concern over allergens remains high. There is a risk that information is collected incorrectly from our suppliers and/or misinterpreted for our menu items. There is the risk that a team member mis-advises a guest or serves the wrong meal. - Increased regulation could increase the complexity of the information to be provided to the public and thereby increase our cost of compliance.	- Embedded health, safety and hygiene management systems. - Dedicated safety advisers in our pubs seeking continuous improvement. - Regular independent expert safety audits. - Training of team members including e-learning modules on specific risks such as allergens, for completion by all employees. - Escalation of potential safety threats to senior operational management. - Maintaining excellent levels of compliance through policies, training and monitoring. - Working with our supply chain to increase the level of detail held in our food system identifying the constituent ingredients and allergens within the food and the drinks we serve. Providing a clear audit trail and removing, where possible, the chance of manual error. - Due diligence on accepting new suppliers through monitoring and tracking. - Controlling the range of food and drinks sold while enhancing the data collected on them.
Risk movement – Decreased The continued development of our food information system this year has given us the ability to collect and provide more detail to our guests. This year, we have increased the collection of data on the ingredients within the drinks we sell. The risk of a guest suffering an allergic reaction remains significant because of the wide variety of food items we source, and levels of food allergies and intolerances amongst the public. When our systems or practices are found to be at fault, we confront any failing honestly, learn and build better safeguards for the future.		Linked opportunity In a competitive marketplace there is an opportunity to build a reputation for absolute commitment to guest care and building long-term trust.	

Risk and risk management continued

Our principal risks and uncertainties

7. INFORMATION TECHNOLOGY

Link to strategy:

Potential impact	Risk context	Risk description	Mitigation
- Reduction in the effectiveness of operations, business interruption and loss of profit. - Regulatory fines because of the loss of data. - Reputational damage due to a loss of data.	- The uninterrupted operation of our business depends upon the IT network to communicate, serve our guests, place orders with suppliers, process transactions and report on results. - The performance of our business is dependent upon the uninterrupted running of our IT network, site links and the internet. - The cyber threat has increased in recent years, targeting vulnerable businesses with data theft, data encryption, denial of service and fraud. - Marston's handles the personal contact details of many of its guests who opt to use the Wi-Fi in pub, or sign up to receive marketing emails from us.	- Threats to IT are both external and internal and could result in a network outage, loss, theft or corruption of data or denial of service. - The risk extends to the companies that we share data with for processing or storage on our behalf.	- Anti-virus and firewall protection. - Access control, password protection and IT policy adherence. - Network and device controls and monitoring. - Penetration testing and remediation. - Cyber defence testing. - Backup procedures. - Data recovery plans and rehearsals. - Raising employee awareness of IT security through regular and engaging training exercises. - Data security policies, processes and training. - Data breach incident response plan and scenario training.
Risk movement – No change Global cyber risk has evolved in recent years, particularly the exploitation of more vulnerable companies that have a high sensitivity to disruption such as food suppliers. The cyber threat has increased however, the tools we deploy to maintain the security of our systems keep this risk at an acceptable level.		Linked opportunity Our digital engagement with guests is greatly valued by them, whether booking a table or a room, receiving offers by email or ordering a meal. Keeping our guests' trust allows us to take advantage of these tools and be able to utilise new digital tools to engage and market our business. Our processes are continually enhanced by new technology to analyse and process sales data, team planning, recruitment, concessions and food information.	

Risk and risk management continued

Our principal risks and uncertainties

8. PANDEMIC

Link to strategy:

Potential impact	Risk context	Risk description	Mitigation
• Pubs close or trading is severely restricted. • Operating procedures configured to provide safety to our employees. • Fewer guests and shorter stays. • Increased operating costs.	• Although the COVID-19 pandemic is broadly over, there is a possibility that another form of pandemic will occur in the future. The severity of such a pandemic upon human health, and the duration and impact of measures taken to reduce the circulation of infection, are difficult to predict. The risk of pandemic in the short term is deemed low; however, we recognise that this risk has the singular capability to close pubs nationally.	• Future restrictions on trade, as a result of regulations imposed to reduce infection rates, and public confidence in mixing socially in public places.	• Alertness and readiness to implement Government advice. • Periodically auditing our crisis response planning. • Reviewing our ability to adapt our pubs for social distancing, if required to do so. • Preplanned training to roll out to our teams. • Contingency plans for future lockdowns. • Ability to simplify and streamline menus. • Regular scrutiny of asset values.
Risk movement – No change Pandemic remains a risk to our business.		Linked opportunity The last lockdown demonstrated that pubs are greatly missed when closed, highlighting their importance for social interaction and leisure. Pubs local to people's homes benefit from an increase in spend as people tend to travel shorter distances.	

Risk and risk management continued

Our levels of defence

1. Management ownership of risk and control

Marston's operates within a clear set of policies approved by the Risk & Compliance Committee with authority from the Executive Committee. Adherence to these policies governs the parameters within which the business is prepared to operate and accept risk. Changes to policies occur at the instigation of management, in response to new threats, new legislation or new opportunities. This system of governance is approved by the Board, allowing authority to be delegated through the business to ensure that management is empowered to operate effectively.

Our managers are responsible for identifying risks, monitoring them and designing the control environment necessary to mitigate them to a level within the tolerance for the business. The degree of risk acceptable is managed by the Executive Committee with an implicit understanding of the Board's appetite for risk. Authority levels are set with the approval of the Executive Committee and, ultimately, the Board and are aligned with levels of management and the expected degree of responsibility they have for managing risks.

A record of the key controls is maintained within our corporate risk register. The owners of each risk assess the effectiveness of these controls, and this information is collected by our internal audit team and reported to the Board annually. Internal audit testing is performed on key controls to gain sufficient assurance on their effectiveness.

The key features of the internal control system are:

- A clearly defined management structure operating within a framework of policies and procedures covering authority levels, responsibilities and accountabilities. Policies are communicated to the appropriate employees on induction and kept accessible via a digital handbook. The policies are reviewed, updated and communicated as and when required.
- Risk management embedded into day-to-day activities.
- Ensuring that our operations abide by all applicable laws and regulations.
- Continual improvement by reporting on effectiveness, recognition of weaknesses, additional investment and by encouraging the achievement of controls.
- A detailed formal budgeting process for all activities; annual budget and projections for future years formally approved by the Board.
- Established procedures for planning, approving and monitoring capital expenditure, and major projects, designed within a sound framework of risk management.
- Board approval requirement for all major investment, divestment and strategic plans and programmes.

At each of their meetings the Board reviews financial and non-financial progress towards the strategic goals.

Control systems are designed to manage rather than eliminate risk and provide only a reasonable and not absolute defence against material errors, losses, fraud or breaches of the law.

2. Committee oversight

The Executive Committee meets regularly to consider how to implement the actions required to achieve business objectives, and to monitor risks and opportunities. The Committee takes ownership of the implementation of the business strategy, the operation of the business to meet operational and financial targets, and the design of internal controls to reduce risks, within its understanding of the Board's appetite for risk. It is management's responsibility to collect information to measure the control of risk and report this to the Executive Committee, to ensure that the business is operating within its risk appetite. Management considers, communicates and implements the decisions taken on risk made by the Board and the Executive Committee, regularly reporting on the impact of those decisions. Within our management structure we operate several committees to focus attention upon areas of risk that require particular attention by senior management. The key objectives of each committee are outlined on page 52.

3. Assurance governance

The Risk team comprises the Director of Corporate Risk and the internal audit function. Reporting to the General Counsel & Company Secretary, the team can elevate matters regarding risk where appropriate to the Executive Committee and the Board.

The Director of Corporate Risk attends the Audit Committee meetings and can raise any concerns regarding risks independently to that Committee.

Enterprise Risk Management (ERM)

The ERM process is designed to identify, monitor and report on risks which could impact on our ability to achieve our strategic objectives. The key risks and controls are recorded in our Corporate Risk Register. The ownership and assessment of risk and its control is discussed and recorded during meetings with the relevant and responsible managers.

The Corporate Risk Register is shared, through a portal on the Company's network, with managers to keep it current and relevant. We use common risk management language to facilitate cross functional consistency and measurement across the business. The Register helps inform which risks require internal audit testing to gather additional assurance.

The Register also provides a basis for determining which risks require insurance cover. The levels of insurance acquired are managed by the Director of Corporate Risk with the authority of the Board and in consultation with external advisers. These levels are considered in the context of changing risks, external threats and the cost of insurance.

Risk and risk management continued

Our levels of defence

Business Continuity Committee	Data Security Committee	Risk & Compliance Committee
Chaired by the Director of Corporate Risk	Chaired by the Director of Corporate Risk	Chaired by the General Counsel & Company Secretary
- The Committee considers and reviews the resilience of the business to events outside of its control, and the lessons learned from any actual incidents or scenario testing. - It considers threats to continuous operations, including those events with a very low probability but that would have a very high impact, and the plans in place to respond to such events. - Consideration is given to the resilience of our supply chain, and our suppliers' own planning, as well as our ability to seek alternative supplies at short notice. - The Committee is briefed on IT resilience, its protection from interference and its recovery plans.	- Members of the Committee reflect the areas of significant risk regarding the loss of personal and commercial data. This includes employee data, guest data, marketing data, pub and lodge operations data. - Our Data Security Policy and management processes, particularly our defence against a data breach, are maintained to achieve legal compliance, but also to operate in a responsible manner recognising the importance to individuals. - All employees receive data security training on induction and at appropriate regular intervals. Data security guidance is always available to our employees. - Our data security Incident Response Plan is practised to guarantee an effective response to any breach.	- The Committee reviews the identification of the principal risks and considers the alignment of internal audit testing to those risks. - It conducts a deeper review of areas where risks are more challenging or changing significantly, including environmental and climate-related risk and the plan for Net Zero. The Committee tracks the emergence of new legislation and monitors the potential impact on the business and its preparation for compliance. - New policies are reviewed by the Committee before submission for approval by the Executive Committee.
Internal Audit The internal audit function is managed by the Director of Corporate Risk ensuring it is independent from the operations of the business and from other teams. Internal audit strategy is risk based and testing is focused on the most significant risks to the business. The strategy has been approved by the Audit Committee and aims to provide a sufficient level of assurance regarding the strength of the control environment as well as supporting continual improvement in risk management. The internal audit plan is produced annually and takes into consideration the key risks within the business and areas of increased risk and the regularity of the testing. The plan is developed in consultation with the Executive Committee and the Risk & Compliance Committee, considering areas requiring additional assurance particularly for emerging risks.	Where necessary, resource and expertise are sought from an external internal audit co-source for individual projects, for example, those associated with higher risks or which require specialist skills. The budget for internal audit is submitted annually for approval by the Executive Committee and the Audit Committee. Internal audit projects are planned with the assistance of senior management and the results are reported to the business, the Risk & Compliance Committee and the Audit Committee. Our profit protection and stock validation teams visit individual pubs and test the financial controls, using data analysis to identify sites of concern. The team actively search for theft, fraud and misreporting of transactions. Test results are communicated to the operational managers to act upon, and follow-up audits are arranged if necessary to confirm improvements.	4. Strategic The Executive Committee monitors performance against key performance indicators to gauge progress against the strategic objectives. The Executive Committee also oversees risks to the strategy and the actions taken by management to control and mitigate those risks. 5. Board and Audit Committee The Board is ultimately responsible for the governance framework, internal control and risk management. The mitigation of risk is delegated to the Executive Committee. The Board is responsible for ensuring that management reviews and reports on the effectiveness of the internal controls. The Board is also responsible for understanding the nature and extent of the principal risks, formulating its risk appetite and the Viability statement (found on the following page). Reports from senior management to the Board provide sufficient detail to assess risk appetite in the context of the risks and opportunities, and to make informed decisions to accomplish the strategic objectives. During the year, the Board has robustly assessed the risks and opportunities faced by the business, and considered the ability of the business to achieve its strategic objectives and the impact of emerging legislation. New Non-executive Directors, through inductions, are given the opportunity to understand the challenges faced by the business, risks and the controls and processes operated.

Risk and risk management continued

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years. Consistent with the previous year, three years continues to be adopted as an appropriate period of assessment as it aligns with the Group's planning horizon in a fast-moving market subject to changing consumer tastes in addition to economic and political uncertainties and is supported by forecasts as approved by the Board. It also aligns with the Group's capital investment plans and gives a greater degree of certainty over the forecasting assumptions used.

The Directors' assessment has been made with reference to the Group's current position, its financial plan and financial planning process, comprising a detailed forecast for the next financial year, together with a projection for the following two financial years. The plan also reflects the Group's principal risks and uncertainties set out on pages 43–50, specifically Economic and political (risk 1), Market and operational/guest sentiment (risk 2), Liquidity (risk 3), and Financial covenants, pension fund deficit and accounting controls (risk 4).

To assess the impact of the Group's principal risks and uncertainties on its long-term viability, a severe but plausible downside scenario was applied to the Group's financial forecasts in the form of reduced sales, with variable costs moving in line with the change in sales volumes. It is assumed that the Group's financial plans would be adjusted in response to each scenario by reviewing controllable and discretionary costs alongside capital investment.

The principal risks currently facing the business relate to the continued uncertainty surrounding the political and economic environment including the cost-of-living crisis, specifically Economic and political (risk 1) and Market and operational/guest sentiment (risk 2). The Group has reviewed this in the forecast scenarios and sensitivities by incorporating a reduction in sales (downside scenario). Whilst the experience of the cost-of-living crisis could be expected to lead to lasting changes in both consumer behaviour and competition in the hospitality sector, in making this assessment the Group has taken the view that any adverse impact on sales, caused by reduced visits due to the cost-of-living crisis will be temporary in nature and should not extend to any material extent into the future. Pubs have been resilient in previous economic downturns and offer value to the consumer.

Liquidity (risk 3) and Financial covenants (part of risk 4), for both secured debt and unsecured facilities, are assessed in the forecasts and in the severe but plausible downside case the Group would be required to seek an amendment to the Interest Cover covenant for its banking facility and private placement. Whilst there is no certainty that any required amendments would be granted (which has been disclosed as a material uncertainty over going concern in the financial statements), given our experiences to date we are confident of securing this where necessary. In all scenarios the Group continues to remain profitable with adequate liquidity.

In the forecasted period the Group is required to refinance its unsecured facility by January 2025, and it has been assumed that this would be on a similar basis. Whilst there is no certainty since it requires the agreement of its lenders, based on the successful amend and extend to the RCF and private placement during the period and the continued positive relationships, the Directors believe they will be able to secure any such financing required.

In terms of resilience, the forecast considers the Economic and political risk (risk 1) and Market and operational/guest sentiment risk (risk 2), focusing on the impact on sales with a reduction in turnover from fewer guest visits alongside increasing costs from inflationary pressures, interest rate rises and regulatory changes. The forecasts considered market insight and trends based on changing consumer behaviour and therefore considered the allocation of capital to adapt to these trends.

In making this statement, the Directors carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency, or liquidity. Principal risks and uncertainties set out on pages 43–50 are the result of internal risk management and control processes, with further details set out in the Audit Committee's report on pages 67–71.

Chair's introduction to Corporate Governance report

Continued focus

William Rucker
Chair

On behalf of the Board, I am pleased to present our Governance Report for the financial year 2022/23. This report sets out our approach to good corporate governance and describes the key elements of our governance structure.

Notwithstanding the impact of inflation and interest rates this year, Marston's has maintained momentum in delivering its strategic priorities. The foundations of our good corporate governance structure are delivered through strong leadership at Board level and continue to provide structure and stability in challenging times.

Culture and purpose

The Board is responsible for setting the Company's values and ensuring that they are aligned with our culture. This year, we further developed our People Promise 'Marston's: where people make pubs' to capture the essence of Marston's. The People Promise was reviewed by the Board during the year and further details can be found on page 58. The people at Marston's are responsible for delivering our purpose of bringing people together to create happy, memorable, meaningful experiences and our People Promise is a key part of how we do this.

Board composition and changes

Following the announcement on 17 November 2023, Andrew Andrea has stepped down as Chief Executive Officer, and, following a rigorous external search, I am pleased to announce that Justin Platt has been appointed as the new Chief Executive Officer with effect from 10 January 2024. Andrew will be available for a period to ensure a smooth handover of responsibilities and duties and I will support the management transition in the short interim period before Justin joins the business, with the Executive team reporting directly to me. We are grateful to Andrew for his significant commitment and contribution to the Company during his career, which extends over 20 years.

As highlighted in the Audit Committee report, this year the Board has recommended the appointment of new auditors, subject to shareholder approval. Following the announcement in November, Matthew Roberts has indicated to the Board that he feels it is an appropriate time to refresh the role of Audit Chair and will be stepping down with effect from the conclusion of the 2023 AGM and, following a rigorous external search, Rachel Osborne will join the Board and be appointed as Chair of the Audit Committee from the same date.

Matthew has made an enormous contribution to the Board during his tenure, and I would like to take this opportunity to thank him for his valued service.

Details of the external recruitment processes undertaken can be found on page 64 and biographies and summaries of experience for Justin Platt and Rachel can be found on page 57 and in the 2024 Notice of Meeting.

Board effectiveness

This year we carried out an external evaluation of the effectiveness of the Board and its Committees, facilitated by Trusted Advisors Partnership. The review concluded that the Board continues to operate effectively, with some recommendations for improvement. Further details are set out on page 66.

Sustainability

The Company has continued to make progress towards our sustainability goals with support from the 'Doing more to be proud of' taskforce. This year the Board approved the Company's inaugural Insight Report which shines a light on our focus areas, targets and opportunities for improvement. A copy of the Insight Report is available at www.marstonspubs.co.uk.

Governance and reporting

Our governance framework provides long-term value creation and ensures we adopt corporate governance principles in a way that is relevant to our business, supports our strategy and goals and is consistent with our values. I invite you to review the following pages, which set out how we have complied with the UK Corporate Governance Code (2018) ('the 2018 Code') and how our governance framework helps to support the Company's strategic priorities. The section 172(1) statement on page 16 describes how the Board has fulfilled its statutory duties under the Companies Act 2006 and how the Board has engaged with our different stakeholder groups this year.

The 2018 Code has applied throughout the reporting period and the Board considers that we have fully complied with the principles and provisions of the Code.

Reports from the Nomination, Audit and Remuneration Committee can be found from page 63.

Chair's introduction to Corporate Governance report continued

UK Corporate Governance Code compliance statement

The 2018 Code applied to the 2022/23 reporting period. The 2018 Code is available on the Financial Reporting Council's website: www.frc.org.uk

The Company was compliant with the principles and provisions of the 2018 Code throughout the reporting period under review. Our Governance Report explains how we have applied the main principles and, where applicable, provisions of the 2018 Code, through our governance framework, supporting procedures and the work of the Board, its Committees and management. In order to provide a more accessible report, and to avoid repetition, more information can be found on our website:

1. Board leadership and Company purpose

How we engage with our people and our shareholders and what has been on the Board's agenda this year.

READ MORE ON PAGES 58 TO 60

2. Division of responsibilities

Detail of our governance framework and management structure.

READ MORE ON PAGES 61 TO 62

3. Composition, succession and evaluation

Nomination Committee report and our approach to succession planning, training and induction; this year's Board evaluation and our approach to diversity.

READ MORE ON PAGE 63

4. Audit, risk and internal control

Internal processes and our Audit Committee Report.

READ MORE ON PAGE 67

5. Remuneration

Details of our Directors' Remuneration Policy and payments made to Directors during the period.

READ MORE ON PAGES 72 TO 86

Board of Directors

An experienced Board

Board committees: A Audit Committee R Remuneration Committee N Nomination Committee ● Denotes Committee Chair

Board skills:  Consumer/Retail  Hospitality  Commercial property  People  Finance  Marketing  Digital

Terms of reference for each Committee are available on the Sustainability section of our website: www.marstonspubs.co.uk

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William Rucker Non-executive Chair Appointed: October 2018, independent on appointment A Chartered Accountant with extensive experience in banking and financial services, William is currently Chair of ICG PLC, and Chair of the UK Dementia Research Institute. William's City and financial experience brings a wealth of knowledge and experience of financial markets, corporate finance and strategy to his leadership of the Board. Past experience: - Chair of Lazard UK - Chair of Crest Nicholson Holdings plc - Chair of Quintain Estates and Developments - Non-executive Director of Rentokil Initial plc	Justin Platt Chief Executive Officer Designate Appointed: with effect from January 2024 Justin's appointment was announced in November 2023, effective from 10 January 2024. Justin has over 30 years' experience in hospitality and consumer-facing businesses, having spent the last 12 years at Merlin Entertainments, most recently as Chief Strategy Officer and prior to that in a variety of operational leadership roles. Justin has a proven track record of delivering sustainable business growth through his clarity of strategic focus, a passion for enhancing customer experiences and a relentless focus on business results delivery. Justin's combination of operational and strategic experience in multi-site leisure businesses equips him perfectly to lead Marston's through the next phase of its development. Past experience: - Chief Strategy Officer at Merlin Entertainments - Managing Director at Resort Theme Parks - Global Marketing Director at AstraZeneca plc	Hayleigh Lupino Chief Financial Officer (CFO) Appointed: October 2021 Hayleigh was appointed CFO in 2021, having previously been Director of Group Finance, and previously held a number of senior roles at Marston's. Hayleigh has strong operational and commercial credentials, as well as extensive knowledge of both Marston's and the wider pub and brewing sector. Her experience as a qualified chartered accountant played a pivotal role in creating the partnership between Marston's Beer Company and Carlsberg UK in 2020. She is currently a Non-Executive Director of CMBC and also a Trustee Board Director at the Wolverhampton Grand Theatre. Past experience: Senior roles held within Marston's PLC	Octavia Morley Senior Independent Director Appointed: January 2020 Octavia is currently Senior Independent Director at Crest Nicholson Holdings PLC. Non-executive Director at Ascensos Ltd and Chair of Banner Group. She has extensive experience in both executive and non-executive roles in retail and multisite companies, having held various senior operational and strategic roles across areas of retail. Past experience: - Senior Independent Director at Card Factory PLC - Executive and Non-executive Chair of Spicers Office Team Group Ltd - Non-executive Director of John Menzies PLC - Chief Executive Officer, then Chair, at LighterLife UK Limited - Managing Director at Crew Clothing Co Ltd - Chief Executive at OKA Direct Limited
 	   	  	  

Board of Directors continued

Board committees: A Audit Committee R Remuneration Committee N Nomination Committee ● Denotes Committee Chair
Board skills: Consumer/Retail Hospitality Commercial property People Finance Marketing Digital

Terms of reference for each Committee are available on the Sustainability section of our website: www.marstonpubs.co.uk

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Corporate Governance report

Board leadership and Company purpose

Company purpose

The Board is responsible for promoting the long-term sustainable success of the Company, establishing and supporting the delivery of the Company's vision of 'Pubs to be proud of' through defined goals and measurable targets. It does this in a number of ways including: the continuous monitoring of key performance indicators, evaluating whether strategic actions proposed by management support the business model objectives, a regular assessment of industry trends and consumer insight.

Culture

The Board is responsible for setting the Company's values and ensuring that they are aligned with our culture. This is continuously monitored and the Board assesses the special culture at Marston's and is pleased that it reflects our purpose and values, all of which are, in turn, aligned to our strategy. In particular, during financial year 2022/23, the Board:

- Scrutinised trends through reports from the HR Director and senior management, and participated in direct employee engagement, as well as workforce engagement activities led by Bridget Lea (our DNED), all as described on page 17.

- Monitored the implementation of the Company's behavioural framework which sets out the behaviours expected of our people and which is directly aligned to the Company's values and purpose, thereby helping to promote and embody our culture through our ways of working. The Executive Committee and senior management lead by example through setting the tone from the top, acting in accordance with and role modelling the behavioural framework at all times.
- Approved the People Promise. This is an articulation of our vision of Pubs to be proud of, for our people. Underpinned by our values and behavioural framework, our People Promise enunciates our culture and reflects what it means to be part of Marston's.
- Reviewed KPIs. Several of our KPIs, such as the employee engagement and EHO scores, allow trends in the Company's culture to be continuously monitored. The Directors receive and review monthly management information packs which include a KPI report and these are supported by regular presentations by Executive Committee and workforce engagement activities.
- Ensuring on an ongoing basis that our policies and practices are aligned. The Board plays a key role in helping to ensure that policies and practices proposed by management, particularly relating to pay, bonuses and fair working practices, are consistent with the Company's values and support long-term sustainable success. Further detail on the alignment of our bonus scheme to our values and KPIs (which include employee engagement) is set out in the Directors' Remuneration report on page 72.

Engaging with our stakeholders

Our Section 172(1) statement on page 16 describes our key stakeholder groups, details how their views are considered and how the Board has engaged with different stakeholders during the year. This year, we reviewed and evolved our board-level workforce engagement which is the responsibility of Bridget Lea, our DNED, to ensure alignment with our maturing employee engagement mechanism. More information can be found in the Section 172(1) statement.

2024 Annual General Meeting (AGM)

The 2024 AGM will be held at The Farmhouse at Mackworth in Derby on Tuesday 23 January. More information on how shareholders can register their intention to attend, and submit any questions in advance of the meeting, can be found on page 90 and in the 2024 Notice of Meeting. The Board looks forward to meeting and engaging with shareholders once again.

Annual Report and Accounts

The Annual Report and Accounts is the main tool for providing a comprehensive review of the business, details of our governance framework in action and annual results. This year, mindful of our sustainability agenda, increased cost and the desire to reduce our dependency on natural resources, we have focused our efforts on the online version of the Annual Report and Accounts, reducing the number of printed copies to ensure minimal waste after fulfilling the requirements of our shareholders who still require printed copies.

Corporate Governance report continued

Board leadership and Company purpose

Board agenda and activities during the year

Over the course of the year, the Board met seven times for scheduled meetings, the majority of those meetings held in person and one unscheduled meeting held online. Unscheduled meetings are usually to discuss matters of a transactional nature that arise outside of the forward agenda or Board calendar. Attendance at Board and Board Committee meetings is set out below. At least two of those meetings (one of which includes the Board strategy session), are 2-day meetings comprising one 'day in trade' and one day reserved for the Board meeting, but held in one of our pubs.

As well as giving the Board a deeper understanding of the business, our employees and Pub Partners have the opportunity to engage with the Board in an informal setting. We rotate the location of these meetings each year and, this year, the Board visited a cross section of our pubs in Yorkshire and Derbyshire.

On the Board agenda

The Board agenda is prepared in advance of each meeting, alongside a 12-month rolling forward agenda which is arranged by theme. The agenda for each Board and Committee meeting provides a framework for discussions aligned to the Company's strategy and objectives.

Key items on the Board agenda this year included:

Strategy	Finance	People, culture and diversity and inclusion	ESG, governance and risk
- Debating strategy development - IR considerations - Overseeing stakeholder communications - Updates on performance of the business and alignment to strategic pillars - Property disposals in line with strategy - Operational matters including digital strategy and drink strategy implementation	- Assessing long-term financial planning, debt structure and budgeting in the context of the challenging trading environment - Refinancing considerations - External audit tender - Financial statements and trading updates - Budget approval for 2023/24	- Diversity and inclusion strategy - Board-level workforce engagement - Employee engagement survey results and analysis of trends and culture - Gender Pay Gap reporting - Succession planning - People Promise - EHO presentation	- Doing more to be proud of initiative updates - Approval of the Insight Report - Approval of the TCFD report - Modern Slavery statement - Approval of Committee Terms of Reference and Matters Reserved for the Board - External Board evaluation

More detail on the Board's discussions and the impact on our stakeholders can be found on page 16.

The CEO and CFO provide a report for each meeting, providing an analysis of key business matters, together with supporting reports from the Executive Committee and management as required, including reports on financial and banking matters, operational performance, people and engagement updates, stakeholder engagement and shareholder analysis.

At the end of each period (monthly), the Board is also provided with a detailed management information pack which reports on KPIs, capital returns as well as financial performance.

Time is also made available on the agenda for presentations by management and advisers and any additional items that require the Board's scrutiny or approval in the course of a year.

The Board also approved a number of written resolutions during the year in line with the Board's terms of reference. This was due to the timing of approvals required outside of the normal Board meeting calendar.

During the year, the Board also received several presentations from the Leadership Group, including Marston's Diversity & Inclusion Strategy and category management.

These presentations are less formal and are typically coupled with a dinner at one of our pubs, giving the Board an opportunity to engage with the Leadership Group and their direct reports in a more relaxed setting.

Corporate Governance report continued

Board leadership and Company purpose

Strategy day

Each year, the Board attends a two-day strategy meeting with the Executive Committee in attendance, to monitor and review performance against our core business objectives and refine the Company's strategic direction in pursuit of value creation. In June 2023, the Board met in Sheffield at one of our Signature pubs: day one comprised of a day in trade with the whole Board visiting a broad cross section of our pubs in Yorkshire and day two was reserved for the core business meeting. The Company's brokers joined us for dinner and presented an analysis of shareholder sentiment and a broader market analysis.

The matters discussed by the Board included:

- a strategic estate review of our portfolio;
- development of the franchise-style partnerships model;
- review of business strategy to determine how sales and profit can be maximised and business operations made more efficient;
- assessment of the macro-environment and the consumer trend analysis;
- five-year financial plan;
- succession planning and our talent pipeline.

The conclusions from this year's strategy day are summarised in the Strategic report. In the forthcoming financial year, the strategy day will continue in the same format. Following a review of the meeting, the Board was in agreement that the format and scope worked well and helped improve overall Board effectiveness.

Board and committee attendance

The Directors' attendance at the seven scheduled meetings is set out below. Sufficient time is also allocated periodically, for the Chair to meet privately with the SID and NEDs to discuss any matters arising, as well as for the SID and NEDs to meet without the Chair being present.

More information on Board activities can be found on page 58.

Board member	Board	Audit Committee	Nomination Committee	Remuneration Committee
Andrew Andrea	7/7	–	–	–
Bridget Lea	7/7	4/4	2/2	5/5
Hayleigh Lupino	7/7	–	–	–
Octavia Morley	7/7	4/4	2/2	5/5
Matthew Roberts	7/7	4/4	2/2	5/5
William Rucker	7/7	–	2/2	–
Nick Varney	7/7	–	2/2	5/5

Conflicts of interest

Upon appointment, each of the Non-executive Directors confirms they have sufficient time available to Marston's to discharge their duties. Any additional Director roles are discussed ahead of appointment. The Board remains confident that each Director has devoted suitable time to undertake their responsibilities effectively.

Each Director is required to disclose, without delay, any situation that arises which may result in a conflict or potential conflict of interest. The Board has a formal process in place for disclosing and authorising any conflicts of interest, which is reviewed by the Board each year. No changes were recorded during the year that would impact the independence of any of our Directors.

Corporate Governance report continued

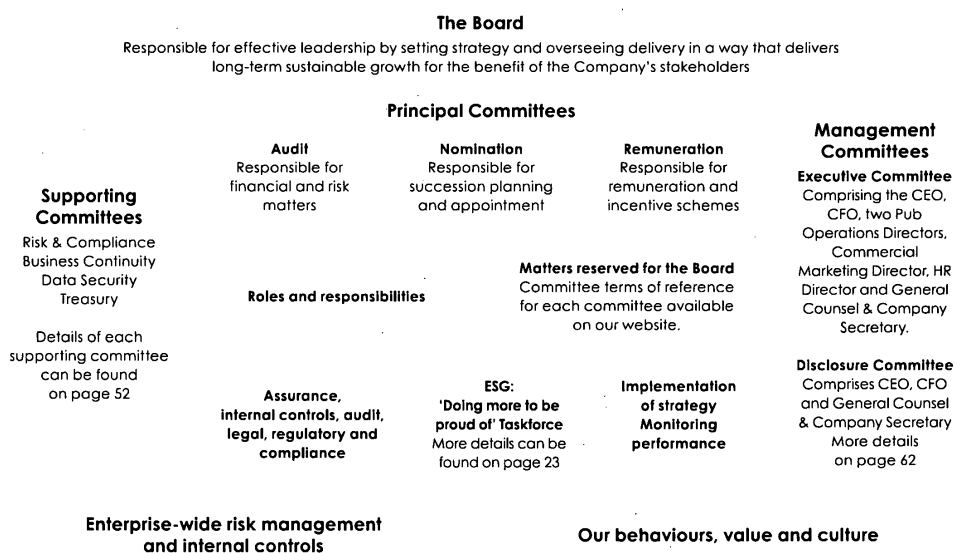
Division of responsibilities

There is usually a clear division of responsibilities between the Chair and the Chief Executive Officer and a high-level summary of each role appears below. On 17 November 2023, it was announced Andrew Andrea had stepped down as Chief Executive Officer, with his successor, Justin Platt, due to join the Board on 10 January 2024. As a temporary measure, William Rucker, Chair, will support the management transition in the short interim period with the Executive team reporting directly to him.

Chair is responsible for:

- leading the Board and ensuring its effectiveness in directing the Company;
- setting the agenda for Board meetings and ensuring the style and tone of meetings enable constructive debate;
- supporting the CEO in articulating the purpose, values and culture of the Company;
- ensuring the Company has an effective strategy and that there is a high-calibre Chief Executive Officer with an executive team able to implement the strategy;
- making sure the Company operates to a high standard of corporate governance in line with the governance framework.

Our governance framework (shown below) supports good governance practices across the Company.



Corporate Governance report continued

Division of responsibilities

Chief Executive Officer is responsible for:

- implementing the strategic objectives set and agreed by the Board;
- providing clear and visible leadership, demonstrating the values and ways of working that reflect the Company's culture;
- leading the Executive Committee and senior management in managing the business;
- reporting to the Board on all material matters affecting the Company and its performance;
- ensuring the Board is aware of investor and stakeholder views.

Further details of the roles and responsibilities of each Director and the General Counsel & Company Secretary are available on our website.

Our governance framework provides a structure of effective management and controls to measure and assess performance and risk. It also facilitates the sharing of information by encouraging strategic debate and informed and timely decision-making. The framework is regularly reviewed, and the Board believes the current framework helps ensure we adopt corporate governance principles in a way that is relevant to our business (including appropriate delegation), supports our strategy and is consistent with our values.

The three principal Committees of the Board deal with financial and risk matters, succession planning and remuneration. Each has its own terms of reference which are reviewed annually before they are considered and approved by the Board.

The Executive Committee meets informally every Monday morning to discuss sales and performance from the previous week and any key matters arising for the week ahead. On a more formal basis, the Executive Committee meet at least nine times a year to discuss implementation of strategy, consumer outlook, stakeholder feedback (particularly guest and employee through Reputation and Your Voice respectively), performance and other matters reserved for management. Regular reports are provided to the Executive Committee by the Leadership Group, including Health & Safety, capital returns and performance against KPIs. An agenda is prepared ahead of each meeting and a rolling 12-month forward agenda is maintained. Unscheduled 'Pulse Exec' meetings are called from time to time to discuss specific matters arising. Every Board pack includes the minutes of the prior meeting of the Executive Committee.

The Disclosure Committee meets as and when required to discuss matters arising in accordance with the UK Market Abuse Regulation, the Financial Conduct Authority (FCA) Listing Rules and the Disclosure Guidance and Transparency Rules to ensure the Company meets its obligations.

The Supporting Committees' primary role is to provide assurance to the Board on the operation of internal controls, auditing and compliance with legal and other regulatory obligations. This framework is supported and enabled by the risk management process and our behaviours.

Corporate Governance report continued

Nomination Committee report

DEAR SHAREHOLDER,

I am pleased to present the Nomination Committee's report and update on the Committee's activities during financial year 2022/23. The Committee member attendance table is shown on page 60. In addition to formal meetings during the year, there were regular informal discussions on diversity and inclusion, succession plans and appointments at Leadership Group Level.

Succession planning

The Nomination Committee is responsible for succession planning and ensuring a diverse talent pipeline for the Board, the Executive Committee and increasingly the Leadership Group. I am pleased to see that the Company has capable and committed leaders and invests in their training and development.

Appointment to the Board

I would like to welcome Justin Platt to the Board and management team as Chief Executive Officer and Rachel Osborne as a Non-executive Director and Chair of the Audit Committee. External consultants were used to identify suitable candidates for consideration by the Nomination Committee and more details can be found on page 64.

Board evaluation

As required by the 2018 Code, this year's Board evaluation was conducted by an external adviser; the Trusted Advisor Partnership. The process and outputs of the evaluation are detailed in full on page 66.

William Rucker

Chair of the Nomination Committee

Members

William Rucker (Chair)
Octavia Morley
Matthew Roberts
Bridget Lea
Nick Varney

Our responsibilities

- To monitor the composition of the Board and its Committees, to ensure the right balance of skills, experience and knowledge.
- To consider the succession plans for Directors and senior management, taking into account the leadership, skills, expertise and diversity needed to meet the challenges and opportunities facing the Company.
- To ensure the process for identifying and recommending suitable candidates for Executive and Non-executive Director positions delivers the desired outcomes.

The Committee met three times during the year and all members attended all meetings. Executive Directors, senior management and external advisers may be invited to attend from time to time.

Key activities during the reporting year

- Led the recruitment and appointment process for Justin Platt (CEO) and Rachel Osborne (Audit Chair).
- Reviewed the structure, diversity, size and composition of the Board and considered Board succession planning.
- Considered this year's external Board evaluation process.
- Reviewed succession plans for the Executive Committee and the Leadership Group, including receiving an update on the talent pipeline.
- Reviewed the terms of reference and effectiveness of the Nomination Committee.
- Reviewed the independence, contribution and time commitment of each Director.
- Considered and approved each Director standing for election or re-election at the 2024 AGM.

Corporate Governance report continued

Nomination Committee report

Diversity and Inclusion: 'come as you are'

At Marston's, we are committed to promoting an inclusive environment that represents many different backgrounds, cultures and points of view, and strive to reflect the communities we serve. We support our people to 'come as you are' by building an inclusive culture among our employees, our Pub Partners and suppliers which reflects the diversity of our guests and communities.

Our new Diversity and Inclusion strategy was launched in 2023 and our objectives are for everyone to:

- relate to, feel represented by, and trust each other;
- feel valued and supported;
- feel involved in the bigger picture;
- be appreciated as individuals;
- communicate openly, have a voice, and be listened to.

Accountability for Diversity and Inclusion starts at the very top with our Inclusion taskforce being chaired by Hayleigh Lupino, our Chief Financial Officer.

More details of our Diversity and Inclusion strategy can be found in our Insight Report and our Policy is available on our website.

Equally, the Board believes a diverse and inclusive workforce, and a culture where people are empowered to 'come as you are', are crucial to the long-term success of the Company.

All Board appointments are made on merit, in the context of the individual's skills, experience and all aspects of diversity and inclusion. The Nomination Committee continues to appoint on merit and experience, and will ensure, when recruiting new Directors, that the process includes a wide range of candidates from all backgrounds.

Although we do not set specific targets for diversity, we satisfy the Parker Review (2017) recommendations to have at least one Board director from an ethnic minority background, and at the financial year end three out of seven of our Board directors were women.

Board appointments and succession planning

The Nomination Committee is responsible for the formal and transparent process for all new appointments to the Board of Directors. This process involves reviewing the current composition of the Board, its skills and experience and identifying any gaps. This is reviewed on an annual basis through a review of the Board's effectiveness.

New appointment

The selection process for new appointments is rigorous and transparent and the Nomination Committee appoints external consultants to identify suitable candidates that meet the search criteria. The Chair is responsible for providing a shortlist of candidates for consideration by the Nomination Committee which then makes its recommendation for appointment to the Board. The Nomination Committee is led by the SID when dealing with the appointment of a successor to the Board chair.

Appointment of Justin Platt CEO

The Board appointed Russell Reynolds to commence the search and assessment of candidates. Russell Reynolds is accredited under The Enhanced Code of Conduct for Executive Search Firms and used a range of search tools, including psychometric analysis and a forensic assessment by an organisational psychologist to assist the

Board by providing an independent view of candidates' leadership styles, skills, and development needs.

The Board considered and prepared a brief covering the key attributes, experience and personal traits desirable in the ideal candidate, then agreed a timetabled approach before the commencement of a thorough and extensive search. The Chair and the Chair of the Remuneration Committee met with Russell Reynolds to review a longlist of candidates, before arriving at a shortlist for all the NEDs to interview in person. Having debated the relative merits of each candidate and, with reference back to the original brief, the Nomination Committee, proposed to offer the position to Justin Platt, noting especially the value of this combined operational and strategic experience in multisite leisure businesses. The Board unanimously approved the proposal.

Corporate Governance report continued

Nomination Committee report

Appointment of Rachel Osborne, Non-executive Director and Chair of the Audit Committee

The Board appointed Teneo to commence the search, a global consultancy who specialise in, and assisted us with, identifying and securing high-calibre candidates from a diverse pool to address the needs of the Board.

The role of Audit Committee Chair is vital to the overall effectiveness of the Board and the Audit Committee and the search specification, provided to Teneo by the Chair, included effective leadership and communication skills, as well as having a clear understanding of the Audit Committee's duties and responsibilities, particularly in light of the forthcoming audit and corporate governance reforms.

A longlist of candidates was drawn up for review and from this longlist, a number of candidates were shortlisted for interview by the Chair, SID, CFO and the Company Secretary. Having debated the relative merits of each candidate, the Nomination Committee proposed to offer the position to Rachel Osborne, noting especially the value of her executive and non-executive experience. The Board unanimously approved the proposal.

Board support, inductions and ongoing development

On their appointment to the Board, all new Directors receive a comprehensive induction programme co-ordinated by the General Counsel & Company Secretary. The induction programme is tailored to each new Director, depending on their experience and expertise, and the role they will fulfil on the Company's Board.

The detailed induction plan for Rachel Osborne is being finalised and will comprise:

- introductory meetings with all key stakeholders including the Director of Corporate Risk, Director of Property, Head of Financial Reporting and members of the Executive Committee;
- days in trade visiting a cross section of our pub estate;
- training on Director duties, including Section 172(1), the Market Abuse Regulation and the 2018 Code;
- cyber security training;
- detailed sessions on the Company's approach to the audit and corporate governance reforms and any other critical emerging legislation;
- deep dive sessions with management on key issues such as debt and capital structure, principal and emerging risks and related controls, whistleblowing, ESG and property valuations;

- meeting the Company's auditors and other key advisers and stakeholders;
- access to and training on the Company's Board portal which includes past Board packs and a comprehensive resources section including material Board documents and information on the business; and
- an information pack on the Company's policies, practices and corporate governance framework.

The detailed induction plan for Justin Platt is currently being designed by the HR Director and will include:

- introductory meetings with all members of the management team and their direct reports and the Leadership Group;
- deep dive sessions with management on key issues such as areas of strategic focus, debt and capital structure and employee and guest engagement mechanisms;
- days in trade visiting a cross section of our pub estate;
- training in Director duties, including Section 172(1), the Market Abuse Regulation and the 2018 Code;
- cyber security training;
- meeting the Company's key advisers and stakeholders;

- access to and training on the Company's Board portal which includes past Board packs and a comprehensive resources section including material Board documents and information on the business; and
- an information pack on the Company's policies, practices and corporate governance framework.

Individual training and development needs are reviewed as part of the annual Board evaluation process and training and support are arranged by the General Counsel & Company Secretary, where requested or a need is identified. If Directors deem it is necessary to seek independent advice about the performance of their duties, they are entitled to do so at the Company's expense, and this is facilitated by the General Counsel & Company Secretary.

Election and re-elections

Matthew Roberts has decided not to stand for re-election at the forthcoming AGM in January 2024. All other Directors will offer themselves for re-election or, in the case of Justin Platt and Rachel Osborne, election for the first time and details of each Director are set out on pages 56 to 57 and in the Notice of Meeting. The Board is of the opinion, as recommended by the Nomination Committee, that each Director standing for election or re-election makes an effective and valuable contribution to the Company's long-term sustainable success.

Corporate Governance report continued

Nomination Committee report

Board evaluation

The Board undertakes an evaluation of the activities and effectiveness of the Board and its Committees on an annual basis in compliance with the 2018 Code. This year, the evaluation was undertaken externally, led by the Trusted Advisor Partnership (TAP) and supported by the General Counsel & Company Secretary.

Following a briefing by the Chair and General Counsel & Company Secretary, each of the Directors and other key stakeholders attended a 1:1 meeting with TAP to discuss their views on all aspects of the effectiveness of the Board and its Committees, including composition, Directors' contribution, Chair's leadership and the extent to which the Board operates at the right level and fulfils its responsibilities with regard to strategy, risk oversight (with a particular focus on ESG), shareholder value creation and succession planning. TAP produced a detailed report following its review and attended a Board meeting to lead a high-quality debate on opportunities to enhance Board effectiveness.

The report concluded that the conversations in the review meetings were: 'open, reflective and honest, underpinning a strong sense of commitment to the Board's appetite to continue to improve'. The process concluded that the Board and its Committees continued to operate effectively.

Examples of areas considered to be a strength include:

- a highly experienced, constructive and diverse Board with an appetite for open and honest debate;
- the Board Committees have the appropriate level of expertise and are well-supported by management and advisers;
- A progressive ESG agenda delivering some strong and meaningful progress.

Areas identified as possible opportunities to develop the Board's effectiveness further include:

- clearer articulation of the Company's strategic differentiators;
- continuing to leverage external advisers and opinion to provide objective insight into stakeholder sentiment;
- further consideration and communication of the succession and development plans for Board and senior management.

The Chair and the General Counsel & Company Secretary are currently developing an appropriate action plan in response to the conclusions in the report and the Board will review progress during the course of the year.

Annual statement on Board and Executive Team diversity targets

Our Board and Executive Committee gender and ethnicity data is provided below as at 30 September 2023, in accordance with UK Listing Rule 9.8.6R(10).

Diversity data is collected for the Executive Committee via employee engagement. The Board were also asked to confirm which ethnicity category they identified with in the table below.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Committee	Percentage of Executive Committee
Men	4	57%	2	3	43%
Women	3	43%	2	4	57%
Not specified/prefer not to say					

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in Executive Committee	Percentage of Executive Committee
White British or other White (including minority-white groups)	5	72%	3	5	72%
Mixed/Multiple Ethnic Groups	2	28%	1	2	28%
Asian/Asian British					
Black/African/Caribbean/Black British					
Other ethnic group, including Arab					
Not specified/ prefer not to say					

1 Both the CEO and CFO are members of the Executive Committee.

Corporate Governance report continued

Audit Committee report

DEAR SHAREHOLDER,

I am pleased to present the Audit Committee's report and update on the Committee's activities during financial year 2022/23. The Committee member attendance is shown on page 60. In addition to formal meetings during the year, there were regular discussions on the Company's internal controls and audit, debt and capital structure and the estate valuation programme.

This report explains the Committee's responsibilities and how it has discharged them over the course of the year. I remain confident the Committee has the appropriate expertise to discharge its duties and assist the Board by overseeing and monitoring the Company's disclosures, along with management's assumptions and judgements.

Notwithstanding the recent announcement by the Government to withdraw the proposed legislation covering the Audit and Assurance Policy and related matters, the Committee remains mindful of Audit Committees' duties and responsibilities in light of the wider Audit and Corporate Governance reforms including the formation of ARGA (the Auditing, Reporting and Governance Authority) and the proposed changes to existing reporting. Work is already underway to review and, where necessary, strengthen the Company's financial reporting controls environment.

During the year, the Committee's performance was assessed as part of the external Board evaluation, the detail of which is set out in the report by the Nomination Committee, on page 66. In terms of the effectiveness of the Audit Committee, the Committee was deemed to be operating effectively and it was noted that there was evidence of good debate and challenge supported by valuable dialogue outside of the formal meeting process.

As highlighted by the Board Chair and set out in detail in this report, this year the Audit Committee has recommended the appointment of new auditors and a resolution to confirm the appointment of RSM UK Audit LLP will be put to the AGM in January 2024. I have served as Audit Chair for seven years, and I feel it is timely for the Board to appoint a new chairperson to oversee the transition to a new external Auditor. I would like to thank the Committee members, management and KPMG for their valuable contributions which have supported the work of the Committee under my stewardship.

The Committee is keen to continue its constructive dialogue on audit matters with all shareholders. Therefore, should you have any comments on any of the matters set out in this report, please get in touch by email c/o Audit Chair at investorrelations@marstons.co.uk.

Matthew Roberts

Chair of the Audit Committee

Corporate Governance report continued

Audit Committee report

Members

Matthew Roberts (Chair)
Octavia Morley
Bridget Lea

Our responsibilities

- To assist the Board in discharging its responsibilities by reviewing and monitoring the integrity of the financial reporting, paying particular attention to significant judgements.
- To monitor the effectiveness of the Company's audit processes, internal and external controls and risk management systems.
- To review the external Auditor's independence, objectivity and effectiveness.

The Audit Committee reports to the Board on its activities and makes recommendations, all of which have been accepted by the Board during the period under review.

The Audit Committee met four times during the year and all members attended all meetings. The Director of Corporate Risk and the external Auditor attend each meeting. The Board Chair, Nick Varney, the CEO, the CFO and other senior managers are usually invited to attend all or part of the meetings.

In advance of each meeting the Committee Chair meets with the key stakeholders and contributors including the CFO, the General Counsel & Company Secretary, the Director of Corporate Risk and the external audit partner to discuss their reports as well as any other relevant issues. The Chair also had regular meetings with the Director of Property and the Company's external valuers, when the property valuation programme was reviewed, and the Director of Corporate Risk and other senior managers to evaluate the Company's internal controls, governance framework and the progress of the internal audit work.

All Committee members are independent NEDs and have extensive relevant financial, commercial and operational experience which both benefit the Committee and collectively illustrate its competence in the sector in which the Company operates.

Key activities during the reporting year

- Reviewed the interim results and full year accounts, including the significant judgements and estimates, going concern statement and viability statement, and recommended approval to the Board.
- Received the valuation of the estate, considered and reviewed the valuation including the methodology adopted by the independent valuer.

- Oversaw the external Auditor's independence, objectivity and effectiveness.
- Considered and approved the process of re-tendering for an external Auditor and made recommendations to the Board.
- Reviewed the Company's principal and emerging risks, together with the framework for managing, mitigating and testing those risks.
- Reviewed and approved the annual internal audit plan for financial year 2023/24.
- Assessed the effectiveness of the Company's Whistleblowing Policy – 'Speak Up'.
- Considered the Company's debt structure and financial covenants.
- Reviewed the results of the annual evaluation of the effectiveness of the Committee and recommended improvements.
- Received updates on and approved the Statutory Pubs Code compliance report.
- Reviewed the Non-Audit Services Policy and the external Auditor's non-audit fees.

External audit

KPMG LLP were appointed as the external Auditor of the Company in 2020, with the lead audit partner (John Leech) appointed at the same time. The Company's relationship with the external Auditor is managed through their attendance at each Audit Committee meeting together with regular meetings during the course of the year with the Chair of the Audit Committee (both with and without management present) providing sufficient opportunity to interrogate and challenge key areas and assess their independence.

Auditors' effectiveness

KPMG has reported to the Committee that, in its professional judgement, it is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired. The Audit Committee assess the independence of the external Auditor on an ongoing basis by considering a range of factors, including the length of tenure of the auditor and the audit partner, expertise, resources and the relationship with the auditor as a whole and the external Auditors' own assessment of its independence. The Audit Committee Chair, CFO and the General Counsel & Company Secretary meet with the external Auditor to discuss the audit, significant risks and any key issues included on the Audit Committee's agenda during the year.

The Committee is satisfied that KPMG meets the required standard of independence to safeguard the objectivity and integrity of the audit.

Corporate Governance report continued

Audit Committee report

Non-audit work carried out by the external Auditor

The external Auditor should not provide non-audit services where it might impair their independence or objectivity and the Audit Committee has established a policy to safeguard the independence and objectivity of the Company's external Auditors, which can be found on our website www.marstonpub.co.uk.

During the year, KPMG provided non-audit services relating to bank and securitisation reporting for a fee of £10,000. KPMG have also proposed a fee of £25,000 in respect of an audit of Banks's Brewery Insurance Limited (BBIL) and that work is ongoing.

Audit tender

When considering whether to recommend the re-appointment of the external Auditor, the Audit Committee considers a range of factors, including the effectiveness and expertise of the external Auditor, value for money and the ongoing independence and objectivity of the external Auditor.

During the year, the Group conducted a comprehensive tender process for an external Auditor. KPMG were invited to tender alongside other firms, including mid-tier audit firms.

The tender process was managed by the Company's Director of Financial Reporting & Tax and each of the firms received a formal invitation to tender. They spent time with the Audit Committee Chair, the CFO, the CEO and senior management. Written proposals were submitted and the top two firms gave oral presentations to the panel. Following the rigorous process, the Audit Committee recommended the appointment of RSM UK Audit LLP as the Company's new external Auditor after the conclusion of the 2022/23 audit. KPMG will assist in an orderly handover of the external function.

FRC Audit Quality Review (AQR)

During the year, the audit for financial year 2021/22 by KPMG was reviewed by the Financial Reporting Council's (FRC) Audit Quality Review team (AQR) as part of the FRC's annual inspection of audit firms. The AQR identified improvements including how KPMG challenge and record management's impairment model for associate investments. The Audit Committee and KPMG discussed the AQR findings, and the remedial actions proposed by KPMG, and the Committee notes that actions to address each of the findings have been incorporated into KPMG's audit for financial year 2022/23. The Audit Committee Chair also discussed the findings and proposed actions with the AQR team.

Estate valuation

The Group is in year two of a three-year valuation cycle, with Christie & Co completing physical inspections of the second third of the Group's estate, with a focus on inspecting pubs where there have been changes to the shape of the estate, including capital expenditure. The Committee considered the valuation and both KPMG and the Chair of the Audit Committee met with Christie & Co to consider and challenge their methodology and approach as part of the year-end process. KPMG also performed risk assessment procedures over the entire freehold estate to ensure that the key factors impacting the valuation were consistently applied. The Committee noted that overall, KPMG considered the valuation to be reasonable. The Committee notes that the carrying value of the Group's estate remains at £2.1 billion. As a result of the valuation and leasehold impairment review there is an effective freehold impairment of £24.3 million and a leasehold impairment of £4.9 million. Further details are set out on page 5.

Financial reporting

While the responsibility for reviewing and approving the annual report and accounts and other financial statements is reserved for the Board, the Audit Committee reviewed all such financial statements, including the estimates and judgements made by management, and advised the Board on whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for stakeholders to assess the Group's and Company's position and performance.

This review includes an assessment of the adequacy of the disclosure with respect to going concern and viability reporting, the 2018 Code and other applicable laws and regulations, including the Task Force on Climate-related Financial Disclosures ('TCFD') and the requirements of the Listing Rules. The Committee also monitors future corporate reporting standards, such as the audit and corporate governance reforms.

The Committee also recognises how critical the view of the external Auditor is and monitors and makes enquiries to satisfy itself that suitably robust challenges have been performed on estimates and judgements management have made during the course of the audit process. There was no significant divergence between the views of management and the external Auditor and the Committee is satisfied that the estimates and judgements are reasonable, and that suitable accounting policies and APMs have been adopted and disclosed in the accounts.

Fair balanced and understandable

Throughout the year, the Board received updates on the performance of the business and key challenges, opportunities and risks. During the year-end process, comprehensive reviews and validations are undertaken by the Company Secretariat and Finance teams, with cross-functional support from across the business, to ensure that the information provided in the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable.

Corporate Governance report continued

Audit Committee report

Drafts of each section of the Annual Report and Accounts are reviewed for consistency and alignment across the whole document, and linkage to strategy, business model and risks. The accuracy of the content is then verified by supporting evidence before presentation to the Board, in good time for consideration ahead of final approval. The external Auditor provides reassurance through their review processes which are focused on consistency between the narrative and numbers, and an assessment of whether the description of business performance is consistent with the understanding gained through their audit procedures, to present a fair and balanced report on the period. Having reviewed the processes described, the Board is satisfied that the Annual Report and Accounts taken as a whole presents a fair, balanced and understandable representation of the Company's position and performance, together with its strategy and business model.

Significant financial judgements

The following areas of significance were all subject to review and challenge by the Committee and were discussed and addressed with our external Auditor throughout the external audit process. This included reviewing papers prepared by management detailing the rationale for the accounting treatments adopted.

Under IFRS the Group is required to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The Group's key assumptions and significant judgements are:

- Non-underlying items – determination of items to be classified as non-underlying.
- Property, plant, and equipment – valuation of effective freehold land and buildings.
- Retirement benefits – actuarial assumptions in respect of the defined benefit pension plan, which include discount rates, rates of increase in pensions, inflation rates and life expectancies.
- Financial instruments – valuation of derivative financial instruments.
- CMBC – recoverable amount of the investment in associate estimated on a value in use basis.

Going concern

As part of the annual reporting process, the Group is formally required to assess the extent to which its forecasts and therefore its financing requirements may or may not affect the Group's going concern assumption in preparing the accounts and the Audit Committee has monitored and reviewed management's assessment and assumptions, which included the Group's financial position and exposure to principal risks, including the cost-of-living crisis and inflationary pressures. The Committee noted in particular that the Group's forecasts assume moderate sales price increases and operational costs that have not been secured rising broadly in line with inflation. The Committee also noted that management considered a severe but plausible downside scenario, incorporating a 5% reduction in sales volume as a consequence of the cost-of-living crisis and current inflationary pressures along with a reasonably plausible increase in costs compared to the base case forecast.

The conclusion of this assessment was that the Directors are satisfied that the Group has adequate liquidity and is not forecast to breach any covenants within its banking group, private placement or securitisation in its base case forecast. The Directors are also satisfied that the Group has adequate liquidity to withstand the severe but plausible downside scenario.

However, in this severe but plausible forecast only, even after factoring in mitigations under the control of management such as reductions in discretionary spend, the Group would be required to obtain covenant amendments in respect of its Interest Cover covenant associated with the Group's bank and private placement borrowings in the outer quarters of the going concern period.

In such a severe but plausible downside, the Group could leverage the supportive relationship it has with its lenders and renegotiate the terms of its financing in advance of any covenant amendment being required or it would seek a covenant amendments. Whilst there is no guarantee, based on covenant amendments previously secured, and the successful amend and extend to the RCF and private placement during the period and the continued positive relationships, the Directors would expect to be very confident that they would be able to secure any such amendments.

Accordingly, the Committee notes the financial statements continue to be prepared on the going concern basis, but with a material uncertainty arising from the current macroeconomic environment. Full details are included in Note 1.

Corporate Governance report continued

Audit Committee report

CMBC: Due to the size of Marston's investment in CMBC, and the potential sensitivity of the recoverable amount of the investment to a change in assumptions, the Committee notes an impairment review was undertaken under IAS 36 'Impairment of Assets'. The recoverable amount of the investment was estimated on a value in use basis and the Committee notes this was based on forecast cash flows approved by the board of CMBC, which were reviewed by management and CMBC's external Auditors.

The impairment review indicated there was sufficient headroom over the carrying amount, and consequently no impairment has been recognised by management and the Committee supported this approach. A number of different potential downside scenarios were considered by management and changing each key assumption to the limit of the reasonably possible downside did not result in impairment. A severe downside scenario which considered a combination of reduced dividends together with a decrease in growth rate and a large increase in discount rate could lead to a small impairment.

Market capitalisation: Uncertainty and restricted trading during the last few years, including the pandemic and cost-of-living crisis, have negatively impacted the Company's share price.

This share price suppression, which also affects our industry peers and other UK listed entities to varying extents, has resulted in a gap between the Company's market capitalisation and asset values. Management has performed a market capital gap analysis to determine whether an impairment of the asset values is required. The analysis showed that there is sufficient headroom between the total asset value and enterprise value and the Committee is satisfied with management's conclusion that no impairment is required.

Risk management and internal control

The Audit Committee is responsible for reviewing and monitoring the effectiveness of the Company's framework of internal controls. At least annually the Audit Committee receives a report and presentation on the Company's principal risks, both current and emerging, and the systems and controls in place (whether operational, financial or otherwise) on how the Company manages and mitigates those risks. The Company's principal risks are on page 43. The Board considers the effectiveness of the risk management and internal control through a thorough assessment of risks that the business faces, that could threaten its long-term sustainability. The Company has controls and related policies in place which cover a range of issues, including financial reporting, business continuity, data and cyber security and ESG.

As set out on page 52, the Risk & Compliance Committee is responsible for monitoring all areas of legal and regulatory compliance and for approving Company policies. Regular updates on the activities of the Risk & Compliance Committee are provided to the Audit Committee. There are also a number of sub-committees that focus separately on: Data Security, ESG (including TCFD) and business continuity risks and further detail can also be found on page 52.

Internal Audit

The Company's internal audit function is managed by the Director of Corporate Risk who regularly meets with the Chair of the Audit Committee and external Auditors to discuss the effectiveness of Marston's internal controls, risk management and compliance across the business. More details of the Group's approach to risk management and internal controls are provided in the Strategic report on pages 40 to 52.

Whistleblowing

The Company is committed to high standards of integrity and accountability and as a result has a Whistleblowing Policy together with an online portal called 'Speak Up' which enables employees to report any concerns anonymously and confidentially. The platform also enables the Company to gather anonymous insight on emerging trends or areas requiring greater focus. This year, a campaign was launched to raise awareness of the importance of 'speaking up' and the many ways in which employees can do this. The Audit Committee receives an annual report on whistleblowing.

Business ethics

The Company is committed to high standards of business integrity and ethical conduct. As well as having appropriate policies in place, the Directors, the Executive Committee and the Leadership Group undertake training in business ethics, which includes the Bribery Act and the Company's Corporate Hospitality and Gifts Policy, director's duties and share dealing.

Statutory Pubs Code

The Audit Committee approved the compliance report submitted to the Pubs Code Adjudicator (PCA) for the reporting period 1 April 2022 – 31 March 2023 (PCA Period). During the PCA period, Marston's received seven valid market rent-only requests from tied tenants, of which none were referred to the Pubs Code Adjudicator for arbitration and was not subject to any investigations, enforcements or representations of unfair business practices by the PCA. The PCA compliance report and supporting information can be accessed here: www.marstonspubs.co.uk.

Corporate Governance report continued

Directors' Remuneration report

DEAR SHAREHOLDER,

I am pleased to present our report for the period ended 30 September 2023 which sets out how the Directors' Remuneration Policy has been applied during the period and how we intend to operate the Remuneration Policy in 2023/24.

Overview of performance in 2022/23 and business context

During financial year 2022/23, we have continued to focus on the core estate and progress towards creating a simplified, high quality, predominantly community pub business, with minimal exposure to city centres, where demand is more volatile. Despite the continuing challenging macroeconomic environment we have achieved revenue and underlying pub operating profit growth, improved net cash inflow and continued to make progress with our debt reduction strategy.

Total revenue for the reporting year increased by 9.1% to £872.3 million (2022: £799.6 million), with underlying EBITDA (excluding income from associates) increasing to £170.3 million (2022: £159.6 million). In addition, we have

seen a significant improvement in guest satisfaction, team engagement and pub standards metrics.

Given the priority to reduce the overall level of borrowing and the continued macroeconomic uncertainty, the Board have agreed that no dividends will be paid in respect of the reporting year. We remain cognisant of the importance of dividends to shareholders and we intend to keep potential future dividends under review.

Performance outcomes for the year

Annual bonus 2022/23

Stretching targets were set at the start of 2022/23, based on a balanced mix of financial (Group sales, EBITDA and FCF) and strategic measures (Reputation scores and employee engagement).

Our Reputation score of 766 and employee engagement score of 8.2 achieved maximum performance against the targets set at the start of the reporting year, reflecting the efforts of our people, who are fully engaged in delivering great guest experiences. In turn, Group sales increased, and we achieved threshold performance against the target set at the beginning of the year. However, having narrowly missed threshold performance for EBITDA, and with FCF being impacted by higher interest costs and continuing high energy prices, the Committee considered the formulaic outturn of 35% of maximum and agreed with management that, given the strategic focus on debt reduction and renewed focus on improving margins, it should exercise discretion to reduce the payout to zero.

A full breakdown of the objectives and our performance against them is set out on page 79.

LTIP 2020/21 award vesting

The three-year performance period for the LTIP award made in May 2021 ended on 30 September 2023. The award was made outside of the normal timetable due to the impact of the COVID-19 global pandemic.

Performance was based 40% on underlying Earnings Per Share (EPS), 40% on Net Cash Flow (NCF) and 20% on Total Shareholder Return (TSR) versus the companies in the FTSE 250 Index (excluding Investment Trusts). Each of the three performance measures, EPS, NCF and relative TSR, failed to meet the threshold performance requirement. Therefore, the awards lapsed in full.

The Committee is comfortable that actions taken on pay during the year across the Company were appropriate and balanced the interests of all stakeholders and that the Remuneration Policy operated as intended.

Board changes after the year-end

As announced on 17 November 2023, Andrew Andrea stepped down from the Board with immediate effect. Andrew will be available to the business in order to facilitate a smooth handover and transition until 31 December 2023. From 1 January 2024, it is intended that he will be placed on garden leave for the remainder of his 9 months' notice period. In the context of Andrew's departure, he will be treated as a good leaver in connection with his incentives.

We were also pleased to announce that, following a thorough external process, Justin Platt, previously the Chief Strategy Officer at Merlin Entertainments, would be appointed as Chief Executive Officer with effect from 10 January 2024.

When determining his remuneration package, the Committee considered a number of factors which included (i) his previous package at Merlin Entertainments, (ii) pay at companies of a similar size and complexity and, (iii) a competing job offer elsewhere and (iv) the package for the former CEO. As a result, Justin's base salary was set at £600,000 (6.5% lower than the 2023/24 FY salary rate of £639,245 for the former CEO). He will also be eligible for an annual bonus of up to 125% of salary (pro-rated for the period of his employment) and an LTIP grant of 150% of salary, both in line with normal policy. Incentive levels were set to drive sustained long-term performance and reflect the Company's commitment to attracting and retaining top-tier talent.

Implementation of the Remuneration Policy 2023/24

The Committee has considered how the remuneration policy should be implemented for 2023/24. This included reviewing current practice against both market and best practice, pay across the business and the views of management, in light of the CEO succession, the Committee concluded that the incoming CEO should be given time to review the proposed targets for the LTIP, which has meant that full details have not been finalised in time for the publication of this report.

Corporate Governance report continued

Directors' Remuneration report

Therefore, full details will be set out in the 2024 Annual Report and Accounts instead.

Base salary and fees effective 1 October 2023

During the year, the Committee reviewed the salary increases for the wider salaried workforce taking into account external benchmarking, the ongoing cost of living challenges and the need to control our cost base. As a result of the review, the majority of the wider salaried workforce received an increase of 4% of salary. In the context of these increases, the Committee were satisfied with a lower award of 3% for the current CFO and departing CEO.

Non-executive Director and Chair fees have been increased by 3% for 2023/24.

Annual bonus for 2023/24

The CEO will be eligible for an annual bonus of up to 125% of salary (pro-rated for the period of this employment). The annual bonus opportunity for the CFO will remain at 100% of salary, in line with the previous year. In line with 2022/23, the annual bonus will be subject to Group EBITDA (30%), recurring free cash flow (20%), Group sales (20%), Reputation score (15%) and employee engagement (15%) performance measures.

The targets will be stretching and incentivising with one third of any bonus paid deferred into shares for three years.

LTIP for 2023/24

The maximum grant limit under the current policy remains at 150% of base salary and, in line with his agreement to join Marston's, the CEO will receive an LTIP grant of 150% of salary. It is anticipated that the CFO will receive an LTIP award of 125% of salary, in line with the normal policy level, provided that the share price at the time of grant is broadly consistent with the share price used for last year's award. The LTIP will be subject to Underlying PBT (20%), net cash flow (40%), Operating margin (20%) and relative Total Shareholder Return (20%) performance measures. Operating margin has replaced ROCE and there has been an increase in the weighting of the cashflow measures, in line with our strategic priorities set out earlier in the Annual Report. The Committee will undertake a final review of LTIP quantum and full details of the performance targets and grant level for the CFO will be disclosed in the regulatory news announcement that will be made following the grant of options.

Other considerations during the year

Executive Director pay and the wider workforce

We aim to operate with fairness, integrity, and transparency across the business. Salary, benefits and performance related rewards provided to employees are taken into account when setting the policy for Executive Directors' remuneration.

Salary increases across the workforce were reviewed during the year, taking into account inflation and the continuing cost of living challenges. For the majority of our pub teams, their remuneration is set by statute rather than the market. Total pay awards for our pub team members ranged between 5% and 9.6%, with a total aggregated increase of 6.9%.

The Committee also has oversight of how bonus schemes throughout the organisation align, and of the performance measures, targets and outturn of each scheme. Bonus measures and targets are aligned to our vision and strategic objectives for the entire workforce.

Bridget Lea is our designated Non-executive Director for Workforce Engagement and is a member of the Remuneration Committee. Bridget conducted an employee engagement session during the year. Executive remuneration was not raised as a material issue during the year. Therefore, no amendments were required to the proposed implementation of the policy in 2023/24 as a result of this engagement. Further details on engagement with our people throughout the year, is provided on page 17.

Shareholder engagement

The Committee consults with its larger shareholders on executive pay matters, where considered appropriate. Ahead of the 2023 annual general meeting (AGM), the Committee engaged with the Company's major shareholders and the leading shareholder advisory bodies in relation to the 2023 Directors' Remuneration Policy. We were grateful for the feedback we received during the consultation process, and we received over 93% support at the AGM.

We continue to welcome and encourage all feedback from our shareholders as it helps inform our thinking on remuneration matters and we hope we can rely on your continuing support. If you would like to contact me directly to discuss any aspect of our Policy or this report, then please email me at remunerationchair@marstons.co.uk.

I will be available at the AGM (on 23 January 2024) to answer your questions. Alternatively, if you are not able to attend the AGM, please do send your questions to the email address above.

Octavia Morley
Octavia K. Morley
Chair of the Remuneration Committee

Corporate Governance report continued

Directors' Remuneration report

Members

Octavia Morley (Chair)
Bridget Lea
Matthew Roberts
Nick Varney

Our responsibilities

- Determining the framework and policy for Executive Directors' remuneration.
- Setting the remuneration for the Executive Directors and other members of the Executive Committee (including the General Counsel & Company Secretary).
- Setting the Chair's remuneration.
- Establishing remuneration schemes that promote long-term shareholdings by Executive Directors, that support alignment with long-term shareholder interests.
- Designing remuneration policies and practices to support the successful delivery of our strategy and promote long-term sustainable success, with remuneration aligned to the Company's purpose and values.
- Choosing appropriate performance measures and targets for annual and long-term incentive awards, exercising independent judgement and discretion when considering awards and pay-outs, taking account of Company and individual performance and wider circumstances.

- When determining remuneration policy and practices, considering the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.
- Considering remuneration policy in the context of the wider workforce benefit structures, pension provision and remuneration trends across the business and challenge, when necessary, to ensure alignment.

The Committee met five times during the year. The Committee receives advice from a number of different sources. This helps to inform decision-making and ensures the Committee is aware of pay and conditions in the business as a whole, and conditions in the wider market.

The CEO attended all meetings during the year to provide advice in respect of the remuneration of senior management. The HR Director and Deputy Company Secretary also attend each meeting and provide advice to the Committee. No person is in attendance for any discussions regarding their own remuneration.

Korn Ferry were appointed as advisers to the Committee following a review in 2022 and attend meetings when required. Korn Ferry provided advice on the implementation of the Remuneration Policy and supported management with technical matters relating to the execution of the Committee's decisions. Korn Ferry received fees amounting to £20,000 during the year in

respect of advice given to the Committee. Korn Ferry is a member of the Remuneration Consultants Group and, as such, voluntarily operates under its Code of Conduct in relation to executive remuneration consulting in the UK. During 2022/23, Korn Ferry did not provide any other services to the Company other than on remuneration related matters. The Committee is satisfied that the advice received was objective and independent.

Key activities during the reporting year

- Reflected on the Remuneration Policy review in the context of shareholder feedback and voting outcomes at the 2023 AGM.
- Consideration of pay review proposals for the Chair, senior management and the wider workforce.
- 2022/23 bonus and 2020/21 LTIP award outcomes.
- Consideration of targets for operational, Group, senior management and Executive Director bonus schemes.

- Approval of new LTIP scheme rules ahead of the 2023 AGM.
- Consideration of LTIP performance metrics and grant.
- Review of Executive Directors' and senior management shareholdings in the Company, in the context of shareholding guidelines.

AGM voting outcomes

The following table summarises the details of votes cast for the Directors' Remuneration Policy and the Directors' remuneration report at the 2023 AGM, along with the number of votes withheld. The Committee will continue to consider the views of, and feedback from, shareholders when determining and reporting on remuneration arrangements.

	Votes For	%	Votes Against	%	Votes Total	Votes withheld
Directors' Remuneration Policy 2023 AGM	64,571,195	93.20%	4,709,941	6.80%	69,281,136	86,649
Directors' remuneration report 2023 AGM	63,667,725	93.26%	4,599,791	6.74%	68,267,516	1,100,272

Corporate Governance report continued

Remuneration summary

Performance snapshot for 2022/23

Measure	Annual bonus performance for 2022/23		
	Weighting of measure	Outturn (as a % of max)	Outcome (% total award)
Group EBITDA	30%	0%	0%
Free cash flow	20%	0%	0%
Group sales	20%	25%	0%
Reputation score	15%	100%	0%
Employee engagement	15%	100%	0%

Measure	Long-term incentive performance May 2021 award		
	Weighting of measure	Outturn (as a % of max)	Outcome (% total award)
Underlying EPS	40%	0%	0%
Net cash flow	40%	0%	0%
Relative TSR vs FTSE250 (excluding Investment Trusts)	20%	0%	0%

Implementation for 2023/24

Base salary	- Justin Platt – £600,000 (Base salary with effect from 10 January 2024) - Hayleigh Lupino – £409,773 (3% increase)
Benefits	No change
Pension	3% of salary
Bonus	- Maximum opportunity: - Justin Platt – 125% of salary - Hayleigh Lupino – 100% of salary - Performance measures: Group EBITDA (30%), recurring free cash flow (20%), Group sales (20%), Reputation score (15%) and employee engagement (15%) - One third of any bonus earned will be deferred for three years
LTIP	- Maximum opportunity: - Justin Platt 150% of salary - Hayleigh Lupino 125% of salary - Performance measures: Underlying PBT (20%), net cash flow (40%), Operating margin (20%) and relative Total Shareholder Return (20%) - Targets to be confirmed 2-year post-vesting holding period applies
Shareholding guidelines	- In employment: 200% of salary - Post-employment: 200% of salary for 2 years

Incentive timelines

Corporate Governance report continued

Directors' Remuneration Policy

A summary of the Directors' Remuneration Policy, approved by shareholders at the 2023 AGM, on 24 January 2023, and effective from that date, is set out below. The policy is intended to apply for three years. The full policy can be found on pages 78 to 86 of the 2022 Annual Report and Accounts and is also available online in the Governance section of our website (www.marstonpubs.co.uk/investors).

When determining the remuneration policy, the Remuneration Committee considered the six factors listed under Provision 40 of the UK Corporate Governance Code. Full details are set out on page 79 of the 2022 Annual Report and Accounts.

Summary Policy table

Element	Purpose and link to strategy	Key features
Base salary	Core element of fixed remuneration, reflecting the individual's role and experience.	Usually reviewed annually and fixed for 12 months commencing 1 October.
Benefits	Ensures the overall package is competitive.	- Executive Directors receive benefits in line with market practice which include a car allowance, private medical insurance and life assurance. - Other benefits may be provided based on the role and individual circumstances.
Retirement benefits	Contributing to savings to deliver appropriate income in retirement.	Pension contributions (or cash allowance) will not exceed the pension contributions available to the majority of the workforce (which is currently 3% of salary).
Annual bonus	Rewards performance against targets which support the strategic direction of the Group. Compulsory deferral into shares aligns Executive Directors with shareholder interests and provides a retention element.	- The maximum annual bonus opportunity is 125% of base salary. - At least 50% of the award will be based on financial performance measures aligned to the Group's financial key performance indicators. - No more than 20% of the relevant portion of the annual bonus is payable for delivering a threshold level of performance, and no more than 50% is payable for delivering a target level of performance (where the nature of the performance metric allows such an approach). - One third of any bonus paid (after tax) will be used to purchase shares which the Executive Director must normally hold for three years. - Committee discretion and malus and Clawback apply.

Element	Purpose and link to strategy	Key features
Long Term Incentive Plan ('LTIP')	Incentivises Executive Directors to deliver against the Group's strategy over the longer term. Long-term performance targets and share-based remuneration support the creation of sustainable shareholder value.	- The normal maximum award size will be up to 150% of base salary. - In exceptional circumstances the Committee reserves the right to award up to 200% of salary. - Performance measures will be determined by the Committee for each LTIP award in line with the long-term business strategy and KPIs. - Threshold performance under each metric will result in no more than 25% of that portion of the award vesting. - Vested LTIP awards are normally subject to an additional holding period of two years before being released.
All-employee share plan	To provide alignment with Group employees and to promote share ownership.	The Executive Directors may participate in any all-employee share plan operated by the Company.
Shareholding guidelines	To provide alignment with shareholders' interests.	- During employment: Executives are required to build up and retain a shareholding equivalent to 200% of their base salary. Until the shareholding requirement is met, Executive Directors will be required to retain 50% of the net of tax shares they receive under any incentive plan. - Post-employment: Any Executive Director leaving the Company will be expected to retain the lower of the shares held at cessation of employment and shares to the value of 200% of salary, for a period of two years. The Committee will have discretion to amend the requirement in exceptional circumstances.
Non-executive Director fees	Non-executive Director fees are set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and experience.	Non-executive Directors receive a basic fee and an additional fee for further duties.

Corporate Governance report continued

Directors' Remuneration Policy

Recruitment Remuneration Policy

Executive Directors

When setting remuneration packages for new Executive Directors, pay will be set in line with the Remuneration Policy outlined above. In determining appropriate remuneration, the Committee will take into consideration all relevant factors (including the quantum and nature of remuneration) to ensure the arrangements are in the best interests of Marston's and its shareholders.

Salary	Base salary will be set at a level appropriate to the role and experience of the Executive Director being appointed. This may include agreement on future increases up to a market rate, in line with experience and/or responsibilities and subject to good performance, where it is considered appropriate.
Pension and benefits	Pension and benefits will be provided in line with the Policy.
Relocation	Appropriate costs and support will be covered if the recruitment requires relocation of the individual.
Annual bonus	New joiners may receive a pro-rated annual bonus based on their employment as a proportion of the financial year and targets may be different to those set for other Executive Directors subject to a maximum annual bonus opportunity of 125% of base salary.
LTIP	Grants under the LTIP will be made in line with the Remuneration Policy in the year of joining, subject to the maximum award limit of 200% of base salary. For the avoidance of doubt, in the case of an internal promotion, legacy arrangements should be allowed to continue including continuation of the plan the individual is in for the year of joining if required.
Buyout awards	For external appointments, the Committee (if it is considered appropriate) may make an award to 'buy-out' incentive awards that will be forfeited on leaving a previous employer. To the extent possible buy-out awards will be made on a broadly like-for-like basis.

Service contracts and policy on payment for loss of office

The Executive Directors have a service contract requiring either nine or 12 months' notice of termination from either party as shown below.

The current Non-executive Directors, including the Chair, do not have a service contract and their appointments, whilst for a term of three years, may be terminated without compensation at any time. All Non-executive Directors have letters of appointment, and their appointment and subsequent reappointment is subject to annual approval by shareholders.

Name	Commencement date	Unexpired term remaining as at 30 September 2023
Justin Platt	10 January 2024	Terminable on 12 months' notice.
Hayleigh Lupino	3 October 2021	Terminable on nine months' notice.
Bridget Lea	1 September 2019	Fixed term expiring on 31 August 2025 (subject to renewal) and terminable on one month's notice.
Octavia Marley	1 January 2020	Fixed term expiring on 31 December 2025 (subject to renewal) and terminable on one month's notice.
Matthew Roberts	1 March 2017	Fixed term expiring on 28 February 2024 (subject to renewal) and terminable on one month's notice.
Nick Varney	1 July 2022	Fixed term expiring on 30 June 2025 (subject to renewal) and terminable on one month's notice.
William Rucker	1 October 2018	Fixed term expiring on 30 September 2024 (subject to renewal) and terminable on six months' notice.

Corporate Governance report continued

Directors' Remuneration Policy

The principles on which the determination of payments of loss of office will be approached are summarised below:

Provision	Treatment upon loss of office
Payment in lieu of notice	Payments to Executive Directors upon termination of their contracts will be equal to base salary plus the value of core benefits for the duration of the notional notice period. They will also be entitled to pension contributions for the duration of the notional notice period or the requisite cash allowance equivalent. The Executive Director will normally have a duty to seek alternative employment and any outstanding payments will be subject to offset against earnings from any new role. A de minimis value of £1,000 will apply for reporting purposes.
Annual bonus	'Qualifying leavers' will be eligible to receive an annual bonus at the usual time with performance measured at the usual time. The annual bonus will normally be pro-rated for service during the financial year. Any bonus earned will be paid in cash and shares in line with the current policy. 'Non-qualifying' leavers will not normally be eligible to receive an annual bonus. Shares subject to a holding period will normally be released at the normal time.
LTIP	The treatment of any award under the LTIP would be determined based on the leaver provisions contained within the LTIP rules. Awards are forfeited on cessation of employment except for 'qualifying leavers' (where awards vest subject to performance conditions and are normally scaled back pro rata to the proportion of the performance or vesting period served). Shares subject to a holding period will normally be released at the normal time.

Provision	Treatment upon loss of office
Change of control	There are no enhanced contractual provisions on a change of control. Upon a change of control incentive awards will usually vest and be subject to performance conditions. Pro-rating for time, to reflect the proportion of the performance period that has elapsed will ordinarily apply to LTIP awards. The Committee retains the discretion to waive pro-rating for time. Awards may vest on a similar basis on the occurrence of any other relevant event.
Other payments	Payments may be made in the event of loss of office under the all-employee scheme (which is governed by its respective rules and the applicable tax legislation and does not provide for discretionary treatment). The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to payments in respect of accrued holiday pay, outplacement and legal fees and other relevant benefits.

Corporate Governance report continued

Annual Report on Remuneration

This part of the Directors' Remuneration report sets out how we have implemented our current Remuneration Policy during the period ended 30 September 2023. Sections in the report not specifically stated as audited are not subject to audit.

Executive Directors

Total remuneration payable (audited)

Period ended 30 September 2023	Salary £	Benefits ¹ £	Pension ² £	Other £	Total fixed £	Bonus £	Long-term incentives ³ £	Total variable £	Total £
Andrew Andrea	620,626	17,480	18,619	0	656,725	0	0	0	656,725
Hayleigh Lupino	397,838	13,500	11,935	0	423,273	0	0	0	423,273

Period ended 1 October 2022	Salary £	Benefits £	Pension £	Other ³ £	Total fixed £	Bonus £	Long-term incentives ⁴ £	Total variable £	Total £
Andrew Andrea	601,765	17,465	18,360	4,996	642,586	84,357	56,711	141,068	783,654
Hayleigh Lupino	385,310	13,478	11,603	4,996	415,387	54,075	6,687	60,762	476,149

- Private medical insurance benefits are unchanged but premiums may vary from year to year. Benefits include a car allowance, private medical insurance and life assurance.
- Both Executive Directors received a pension contribution of 3% of salary, in line with the wider workforce.
- This figure relates to the grant of Sharesave options during the 2021/22 reporting year.
- LTIP values included in the Total remuneration payable table for the period ended 1 October 2022 comparative figures have been updated to reflect the actual market value of the LTIP awards that vested on 12 December 2022, of £0.3810. The share price was £1.294 at the time of grant of the award. Therefore, none of the value of the award is due to share price appreciation.

Annual bonus 2022/23

For 2022/23, the maximum bonus opportunity for Executive Directors was 100% of salary. Stretching targets were set at the start of 2022/23. Targets were based on a balanced mix of financial (EBITDA, FCF and Group sales) and strategic measures (Reputation scores and employee engagement). Performance against the measures to 30 September 2023 is set out below.

Performance metric	Weighting	Threshold (20% of maximum)	Target (50% of maximum)	Maximum (100% of maximum)	Actual	% of salary
Group EBITDA	30%	£172.0m	£177.0m	£182.0m	£170.3m	0%
Group free cash flow	20%	£32.59m	£37.59m	£42.59m	£15.6m	0%
Group sales	20%	£867.8m	£893.2m	£909.2m	£872.3m	5%
Reputation score	10%	720	740	760	766	15%
Employee engagement	10%	7.6	7.8	7.9	8.2	15%
Bonus outturn						35%
Bonus awarded						0%

As reported in the Annual Statement, we achieved threshold Group sales performance and our Reputation score and employee engagement measures both exceeded maximum performance. However, having narrowly missed threshold performance for EBITDA, and with FCF being impacted by working capital outflows, the Committee considered the formulaic outturn of 35% of maximum and agreed with management that, given the strategic focus on debt reduction and renewed focus on improving margins, it should exercise discretion to reduce the payout to zero.

Corporate Governance report continued

Annual Report on Remuneration

LTIP awards vesting in respect of performance during 2022/23 (audited)

The 2020/21 LTIP award was granted in May 2021. The award was made outside of the normal timetable due to the impact of the COVID-19 global pandemic.

The performance targets for these awards and the performance to 30 September 2023 are shown below:

Performance metric	Weighting	Threshold at 25%	On-target 50% vesting	Maximum 100% vesting	Actual	LTIP vesting
Underlying EPS ¹	40%	6.4p	6.9p	7.2p	5.1%	0% out of 40%
NCF (cumulative) ²	40%	£200m	£215m	£240m	£178.7m	0% out of 40%
TSR v FTSE 250 (excluding Investment Trusts)	20%	Median	–	Upper quartile	Below median	0% of 20%
Total						0% out of 100% of maximum

Each of the three performance measures, EPS, NCF and relative TSR, failed to meet the threshold performance requirement. Therefore, the award lapsed in full.

The outcomes for the Executive Directors are shown below.

Executive Director	Number of shares granted ¹	Number of shares due to vest	Total £
Andrew Andrea	510,295	0	0
Hayleigh Lupino ²	75,324	0	0

¹ The share price was £0.9625 at the time of grant of the award, compared to the three-month average share price of £0.3123 to 30 September 2023.

² Hayleigh Lupino received the May 2021 LTIP award in her previous role within the Group.

LTIP awards granted during 2022/23 (audited)

LTIP awards were granted on 13 December 2022 as nil cost options. The details of the awards granted are as follows:

	Percentage of salary	Number of nil-cost options granted	Face value at grant ¹	% of award vesting at threshold	Performance period	Holding period
Andrew Andrea	125%	2,036,176	£775,783	25%	Financial periods 2022/23 – 2024/25	Financial periods 2025/26 – 2026/27
Hayleigh Lupino	104%	1,085,960	£413,751	25%		

¹ Calculated using the mid-market share price at date of grant of £0.3810.

The awards will vest subject to the satisfaction of performance metrics set out below:

	Weighting	Threshold 25% vesting	Maximum 100% vesting
Underlying PBT (in FY 2024/25)	30%	£72.0m	£87.0m
NCF (three-year aggregate)	30%	£130.0m	£164.0m
Return on Capital Employed (three-year average)	20%	6.5%	7.3%
Relative Total Shareholder Return v FTSE 250 (excluding Investment Trusts)	20%	Median	Upper quartile

¹ Straight-line vesting applies between threshold, on-target and maximum performance.

Corporate Governance report continued

Annual Report on Remuneration

Non-executive Directors

Total remuneration (Chair and Non-executive Directors) (audited)

	Base Fee £	Committee Chair £	SD £	2022/23 Total £	2021/22 Total £
Bridget Lea	57,165			57,165	55,500
Octavia Morley	57,165	10,300	10,300	77,765	75,500
Matthew Roberts	57,165	10,300		67,465	65,500
William Rucker	212,180			212,180	206,000
Nick Varney	57,165			57,165	13,875

¹ The maximum authority for Non-executive Directors' fees (in aggregate), as outlined in our Articles of Association, is £750,000 a year, as approved by shareholders at our 2017 AGM.

Interests in ordinary shares (audited)

The beneficial interests of the Non-executive Directors and their connected persons in the share capital of the Company are shown below:

	As at 30.09.23	As at 01.10.22
Bridget Lea	86,703	50,000
Octavia Morley	25,000	25,000
Matthew Roberts	25,000	25,000
William Rucker	400,000	400,000
Nick Varney	317,882	227,902

Payment for loss of office (audited)

No payments were made for loss of office during the reporting year.

As announced on 17 November 2023, Andrew Andrea stepped down from the Board with immediate effect. A period of handover will continue until 31 December 2023, and the remainder of the nine-month notice period is being taken as garden leave from 1 January 2024 until 16 August 2024 (End of Notice Date). During this period Andrew will continue to receive his salary, pension and benefits, paid monthly (this includes the 3% increase applied to his base salary, with effect from 1 October 2023). The salary, pension and benefits received for the 2022/23 FY are set out on page 79.

Payments made until the end of his notice period will be disclosed in the Remuneration Report for FY2023/24, to be published in December 2024. In line with the remuneration policy, Andrew has a duty to seek alternative employment and any outstanding payments will be subject to offset against earnings from any new role.

The Remuneration Committee has used its discretion to determine the following approach to outstanding incentive awards:

- FY 2023/24 bonus opportunity of 100% of salary, pro-rated for the period 1 October 2023 to 31 December 2023 (the end of the period of active employment) with 33% deferred into shares in accordance with the bonus plan, to be determined, to the extent that it is earned, at the end of the 2023/24 FY and paid at the normal time (in December 2024).
- Andrew will not be eligible for an LTIP grant in FY2023/24.
- Vested December 2019 LTIP (over 148,849 shares) to be released from the two-year holding period at the normal time in accordance with the relevant rules (being December 2024).
- Unvested December 2021 and 2022 LTIP awards (over 1,123,322 and 2,036,176 shares respectively) to be pro-rated to the End of Notice Date to vest at the normal time (being December 2024 and December 2025 respectively) based on the achievement of the performance conditions together with any dividend equivalent payments. A two-year post-vesting holding period will continue to apply in accordance with the condition of the awards.
- Sharesave award over 40,909 shares to be treated in accordance with the Sharesave rules.
- Andrew will remain subject to post-employment shareholding requirements.

All payments that have or will be received will be made within the terms of the termination policy as set out in the Policy.

Payments to past Directors (audited)

No payments were made to past Directors above the de minimis threshold.

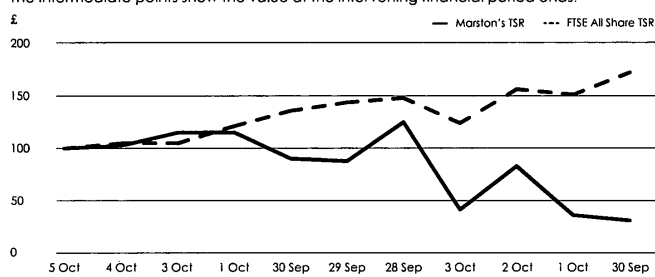
Total shareholder return chart and CEO remuneration history

This graph shows the value, at 30 September 2023, of £100 invested in the Company on 6 October 2013 compared to the value of £100 invested in the FTSE All Share Index. The FTSE All Share Index has been selected as a comparator because the Company is a member of that index.

Corporate Governance report continued

Annual Report on Remuneration

The intermediate points show the value at the intervening financial period ends.



The total remuneration of the CEO over the past ten financial periods is shown below. The annual bonus pay-out and LTIP vesting level as a percentage of the maximum opportunity is also shown.

Year	Name	Total remuneration £	Annual bonus (% of maximum)	LTIP vesting (% of maximum)
2022/23	Andrew Andrea ¹	656,725	0%	0%
2021/22	Andrew Andrea ¹	783,654 ²	14%	40%
2020/21	Rolph Findlay ¹	711,612	0%	0%
2019/20	Rolph Findlay	592,423	0%	0%
2018/19	Rolph Findlay	722,432	0%	0% ³
2017/18	Rolph Findlay	807,665	17.7%	0%
2016/17	Rolph Findlay	803,303	20%	0%
2015/16	Rolph Findlay	1,008,320	40%	21%
2014/15	Rolph Findlay	876,788	40%	0%
2013/14	Rolph Findlay	1,121,294	25%	41.9%

¹ Rolph Findlay stepped down from the Board and retired from the Group as CEO on 2 October 2021. Andrew Andrea was appointed CEO from 3 October 2021 and stepped down from the Board and as CEO with effect from 17 November 2023.

² Restated to reflect the Total remuneration payable as set out on page 79.

³ The performance conditions were achieved at a level such that 11.2% of the 2016/17 LTIP would have vested. However, the Executive Directors waived their rights to this award.

Change in remuneration of Directors' and employee pay

The table below shows the percentage change in the Directors' salary, benefits and annual bonus over the last four financial years. This is then compared to the wider workforce. It was agreed that all employees of the Group should be included in the comparison. Marston's PLC does not have any direct employees, as all employees within the Group are employed by a wholly owned subsidiary company, Marston's Trading Limited.

	Wider workforce	Andrew Andrea	Hayleigh Lupino	William Rucker	Bridget Lea	Octavia Morley	Matthew Roberts	Nick Varney
Salary/fees ¹								
2022/23 and 2021/22	4.7%	3%	3%	3%	3%	3%	3%	3%
2021/22 and 2020/21	11.10%	53% ⁴	N/A	3%	2.70%	8.70%	6.50%	N/A
2020/21 and 2019/20	2.90%	2%	N/A	0%	0%	0%	0%	N/A
2019/20 and 2018/19	6.40%	2%	N/A	0%	N/A	N/A	0%	N/A
Taxable benefits								
2022/23 and 2021/22	See note 4	0%	0%	–	–	–	–	–
2021/22 and 2020/21	See note 4	18.70%	N/A	–	–	–	–	–
2020/21 and 2019/20	See note 4	5.8%	N/A	–	–	–	–	–
2019/20 and 2018/19	See note 4	(6.3%)	N/A	–	–	–	–	–
Annual bonus ³								
2022/23 and 2021/22	See note 5	(100%)	N/A	–	–	–	–	–
2021/22 and 2020/21	See note 5	100%	N/A	–	–	–	–	–
2020/21 and 2019/20	See note 5	0%	N/A	–	–	–	–	–
2019/20 and 2018/19	See note 5	0%	N/A	–	–	–	–	–

Notes:

¹ Salary/fee reviews for the Executive Directors, Non-executive Directors, and salaried workforce are effective 1 October. However, whilst Marston's accounting reference date is 30 September, the Group reports on a 52-week basis and, therefore, the period end date changes from year to year. The year-on-year comparisons in the table above are based on the salaries/fees applying with effect from 1 October. Average employee change to salary is calculated by reference to the mean of employee pay. The majority of pub-based employees have their remuneration set by statute rather than the market.

Corporate Governance report continued

Annual Report on Remuneration

Notes continued:

- 2 Explanations for large increases in prior years are provided in the previous Annual Reports.
- 3 Where the incumbent did not serve for the full year, the calculation has not been made as it is unrepresentative. Hayleigh Lupino was appointed CFO effective from 3 October 2021. Nick Varney was appointed Non-executive Director to the Board with effect from 1 July 2022.
- 4 No changes to benefit policy. Premiums for private medical insurance may vary from year to year. Eligibility to receive the individual benefits under the policy may be determined by an employee's role or length of service, where applicable.
- 5 No bonuses were payable in respect of 2022/23, based on Group performance, therefore a comparison with bonuses earned in respect of 2021/22 is not meaningful. Bonuses and other discretionary payments were earned by a number of employees, within the wider workforce during the reporting period.

CEO pay ratio

The tables below show how the CEO's single total figure of remuneration compares with the equivalent figures for UK employees whose remuneration was ranked at the 25th percentile, 50th percentile, and 75th percentile.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2022/23	Option B	36:1	34:1	31:1
2021/22	Option B	46:1	45:1	40:1
2020/21	Option B	47:1	44:1	43:1
2019/20 (based on contractual salary and benefits)	Option B	48:1	45:1	41:1
2019/20 (reflecting voluntary reduction in salary and benefits)	Option B	40:1	37:1	34:1

Note:
Andrew Andrea was appointed CEO from 3 October 2021. Pay ratio calculations, prior to the 2021/22 financial year are assessed against Ralph Findlay's total remuneration, who stepped down from the Board on 2 October 2021.

Component	CEO £	25th percentile £	50th percentile £	75th percentile £
Base salary	620,626	18,346	19,146	21,021
Total remuneration	656,725	18,346	19,146	21,021

We have chosen Option B which uses the hourly rate data from the most recent Gender Pay Gap reporting. This represents the most efficient and robust method to determine the respective pay ratios. The 2023 gender pay gap data is used to identify the employees falling at the relevant percentile. Total remuneration is then calculated for 2022/23. To ensure year-on-year methodology and reporting is consistent, we have removed any variances in the total remuneration package for employees sitting at each of the percentiles as, for example, not all employees contribute to a pension scheme or receive a bonus. Necessary adjustments are then made to ensure that the 25th, median and 75th percentile employees are reasonably representative for the 2022/23 financial year. The employee percentiles were determined by reference to 5 April 2023.

Two sets of pay ratios are included in the table above for 2019/20, reflecting Ralph Findlay's voluntary reduction in salary and benefits during the period from April to July 2020 and his contractual salary and benefits for 2019/20.

The ratio remained relatively stable between 2019/20 and 2021/22. For 2022/23, the ratio has decreased as there is no payout under the incentive schemes which has more of an impact on the CEO figure as the reduction in remuneration is greater than the reduction for the workforce. A substantial proportion of the CEO's total remuneration is performance-related and delivered in shares. The ratios will depend significantly on the CEO's annual bonus and long-term incentive outcomes and may fluctuate year-on-year. The Company considers the median pay ratio is consistent with the Group's wider policies on employee pay, reward and progression.

Relative importance of spend on pay

The table below demonstrates the relative importance of the Group's expenditure on total employee pay compared to dividend payments to shareholders.

	2022/23	2021/22	% change
Dividend payments ¹	£0m	£0m	–
Total employee pay ²	£210.6m	£214.0m	(1.6%) ³

- 1 No distributions by way of share buybacks were made to shareholders during the 2022/23 or 2021/22 financial years.
- 2 Excluding non-underlying items.
- 3 The decrease in total employee pay is predominately due to the headcount reduction of our Pub Support Centre, as set out on page 5 in the report.

Corporate Governance report continued

Annual Report on Remuneration

External appointments for Executive Directors

Executive Directors are permitted to take up external appointments, subject to approval by the Board, and are allowed to retain any fees received.

Directors' share interests (audited)

Each Executive Director is required to build and retain a shareholding with a value equal to two times salary. To achieve these holdings under the current policy, Directors are required to retain 50% of the net of tax shares they receive under the annual bonus and LTIP, until the guidelines are satisfied. Shares subject to vested LTIP awards which are in a holding period count towards this guideline (on a net of assumed tax basis) and deferred bonus shares also count towards the shareholding guideline.

As at 30 September 2023, Andrew Andrea held shares worth 85% of base salary and Hayleigh Lupino held 23% of base salary in shares.

In assessing the extent to which the guidelines are satisfied, shares are valued at the end of the relevant financial year. Once the required holding has been achieved, any change in the share price is disregarded when assessing the value attributed to shares already held.

Executive Directors' share interests as at 30 September 2023

Executive Director	Shares owned outright ¹		Share options ²				Shareholding requirement (% of salary)	Actual % of salary holding
	At 30.09.23	At 01.10.22	Not subject to performance		Subject to performance			
			Unvested	Vested but unexercised	Unvested	Vested but unexercised		
Andrew Andrea	454,032	390,773	40,909 ³	148,849	3,669,793	–	200%	85%
Hayleigh Lupino	168,388	104,629	71,038 ⁴	17,550	1,881,362	–	200%	23%

¹ The table above includes the holdings of persons connected with each of the Directors.

² All scheme interests are structured as nil-cost or tax-advantaged options.

³ The 40,909 unvested options are Sharesave options.

⁴ Of the 71,038 share options, 40,909 are Sharesave options.

Corporate Governance report continued

Annual Report on Remuneration

Executive Directors' interests in share options as at 30 September 2023

		Grant date ¹	Brought forward 01.10.22	Granted	Exercised /vested ²	Cancelled /lapsed	Carried forward 30.09.23	Exercise price £	Vesting date	Release date ⁴
Andrew Andrea	LTIP	2019 ²	372,124	–	148,849	223,275	148,849	Nil	2022	2024
		May 2021 ³	510,295	–	–	–	510,295	Nil	2024	N/A
		Dec 2021 ⁴	1,078,580	–	–	–	1,078,580	Nil	2024	2026
			44,742	–	–	–	44,742	£0.6507	2024	2026
		2022 ⁵	–	2,036,176	–	–	2,036,176	Nil	2025	2027
Hayleigh Lupino	LTIP	June 2022	40,909	–	–	–	40,909	£0.44	2025	N/A
		2019 ²	43,875	–	17,550	26,325	17,550	Nil	2022	2024
		May 2021 ³	75,324	–	–	–	75,324	Nil	2024	N/A
		Dec 2021 ⁴	675,336	–	–	–	675,336	Nil	2024	2026
			44,742	–	–	–	44,742	£0.6507	2024	2026
		2022 ⁵	–	1,085,960	–	–	1,085,960	Nil	2025	2027
	Share-save	June 2022	40,909	–	–	–	40,909	£0.44	2025	N/A
	Deferred bonus	May 2021	30,129	–	–	–	30,129	Nil	2024	2024

- 1 Awards granted annually in December, unless otherwise stated.
- 2 The performance conditions applying to the 2019/20 LTIP are set out on page 67 of the 2020 Directors' Remuneration Report.
- 3 The performance conditions applying to the 2020/21 LTIP are set out on page 67 of the 2021 Directors' Remuneration Report.
- 4 The performance conditions applying to the 2021/22 LTIP are set out on page 67 of the 2021 Directors' Remuneration Report.
- 5 The performance conditions applying to the 2022/23 LTIP are set out on page 94 of the 2022 Directors' Remuneration Report.
- 6 The exact release date will be confirmed when the date of the relevant preliminary results announcement is known and the associated closed period ends.
- 7 The 2019 LTIP vested on 12 December 2022. No options were exercised during the year.

Andrew Andrea cancelled his 2022 Sharesave option on 20 November 2023. The option over 40,909 shares lapsed on that date. There have been no further changes to the Directors' share interests and interests in share options between 30 September 2023 and 1 December 2023 (being the latest practical date prior to the date of this report).

Implementation of the Policy in 2023/24

The section below sets out the implementation of the Remuneration Policy in 2023/24 which has been set in line with the Remuneration Policy approved by shareholders at the 2023 AGM. As stated in the Chair's Annual statement on page 73, the Committee concluded that the incoming CEO should be given time to review the proposed targets for the annual bonus and LTIP scheme. Therefore, some elements of implementation (such as the incentive targets) will be finalised early in the new calendar year and disclosed in the 2023/24 report.

Base salary

During the year, the Committee reviewed the salary increases for the wider salaried workforce taking into account the continuing cost of living challenges and the need to control our cost base. As a result of the review, the majority of the wider salaried workforce received an increase of between 3% and 4% of salary. Therefore, with an increase of 4% applied to the majority of the salaried workforce, the Committee was comfortable with a lower increase of 3% for the CFO (and departing CEO).

	Base salary 2022/23 £	Base salary 2023/24 £
Justin Platt (incoming CEO)	N/A	600,000
Andrew Andrea (departing CEO)	620,626	639,245
Hayleigh Lupino (CFO)	397,837	409,773

Note:
The majority of the wider workforce (pub-based employees) have their remuneration set by statute rather than the market.

Corporate Governance report continued

Annual Report on Remuneration

Annual bonus

In line with the package agreed on appointment, Justin will be eligible for an annual bonus of up to 125% of salary (pro-rated for the period of his employment). The annual bonus opportunity for Hayleigh will remain at 100% of salary, in line with the previous year.

Performance measures remain unchanged and are aligned to our strategic objectives and core pub and corporate goals.

Strategic pillar	Performance measure	% Weighting for 2023/24
We will grow	Group EBITDA	30%
	Free cash flow	20%
	Group sales	20%
We are guest obsessed	Reputation score	15%
We raise the bar	Employee engagement	15%

The Directors consider that the annual bonus targets for the 2023/24 financial year are commercially sensitive. The Committee will continue to disclose how the bonus pay-out delivered relates to performance against the targets in next year's report.

One third of any bonus paid will be deferred into shares which must be held for three years.

LTIP

The maximum grant limit under the current policy remains at 150% of base salary and in line with his agreement to join Marston's, the incoming CEO will receive an LTIP grant of 150% of salary. It is anticipated that the CFO will receive an LTIP award of 125% of salary, in line with the normal policy level, provided that the share price at the time of grant is broadly consistent with the share price used for last year's award. The LTIP will be subject to Underlying PBT (20%), net cash flow (40%), Operating margin (20%) and relative Total Shareholder Return (20% performance measures. Operating margin has replaced ROCE and there has been an increase in the weighting of the cashflow measure, in line with our strategic priorities set out in the Strategic report. The Committee will undertake a final review of LTIP quantum, alongside the targets, prior to grant. Full details of the performance conditions and grant level for the CFO will be disclosed in the regulatory news announcement that will be made following the grant of options.

Non-executive Director remuneration

A 3% increase will be applied to the base fee, and additional fees, for Non-executive Directors and the Chair's fee (in line with the increase for the CFO and below that of the wider workforce). The fees that will apply from 1 October 2023 are set out below.

	2023/24	2022/23
Chair's fee	£218,545	£212,180
Non-executive Director basic fee	£58,880	£57,165
Additional fee for:		
Chairing the Audit Committee	£10,609	£10,300
Chairing the Remuneration Committee	£10,609	£10,300
Senior Independent Director	£10,609	£10,300

Approval

This Remuneration report was approved by the Board of Directors on 5 December 2023 and signed on its behalf by the Remuneration Committee Chair:

Octavia Morley

Chair of the Remuneration Committee
5 December 2023

Corporate Governance report continued

Directors' report

This section contains additional information which the Directors are required by law and regulation to include within the Annual Report and Accounts. This section, along with the information from the Chair's statement on page 3, to the Statement of Directors' responsibilities on page 91, constitutes the Directors' report in accordance with the Companies Act 2006.

Strategic report

The Company is required by the Companies Act to include a Strategic report in this document. The information that fulfils the requirements of the Strategic report can be found on pages 1 to 53, which is incorporated in this report by reference.

Corporate Governance Statement

The Corporate Governance Statement, as required by the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR) 7.2.1, is set out on page 55 and is incorporated into this report by reference.

Dividends

The Board confirms that given the continued macroeconomic uncertainty, and the priority to reduce the overall level of borrowing, no dividends will be paid in respect of financial year 2022/23. The Board is cognisant of the importance of dividends to shareholders and intends to keep potential future dividends under review.

Directors

Biographies of the Directors currently serving on the Board are set out on pages 56 and 57. Changes to the Board during the period are set out in the Corporate Governance report on pages 64 to 65. Details of Directors' service contracts are set out in the Directors' Remuneration report on page 77. With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The Articles may be amended by special resolution of the shareholders. In accordance with the requirements of the UK Corporate Governance Code, all Directors will offer themselves for election or re-election at the AGM on 23 January 2024, with the exception of Matthew Roberts.

Directors' shareholdings

The interests of Directors and their connected persons in the shares of the Company are set out on pages 81 and 84 of the Directors' Remuneration report.

Directors' indemnities and insurance

The Company maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against its Directors and Officers. In accordance with the Company's Articles of Association and to the extent permitted by law, the Company has indemnified each of its Directors and other Officers of the Group against certain liabilities that may be incurred as a result of their position within the Group. These indemnities were in place for the whole of the period ended 30 September 2023, and as at the date of the report. There are no indemnities in place for the benefit of the external Auditor.

Directors' powers

Under the Articles of Association, the Directors have authority to allot ordinary shares subject to the aggregate set at the 2023 Annual General Meeting (AGM). The Company was also given authority at its 2023 AGM to make market purchases of ordinary shares up to a maximum number of 63,414,851 shares. Similar authority will again be sought from shareholders at the 2024 AGM. The powers of the Directors are further described in the Corporate Governance Report on pages 54 to 86.

Share capital and shareholder voting rights

Details of the Company's issued share capital and of the movements during the period are shown in note 28 in the financial statements on page 139. The Company has one class of ordinary shares and one class of preference shares. On a poll vote, ordinary and preference shareholders have one vote for every 25 pence of nominal value of ordinary and preference share capital held in relation to all circumstances at general meetings of the Company. The issued nominal value of the ordinary shares and preference shares is 100% of the total issued nominal value of all share capital.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Corporate Governance report continued

Directors' report

Details of employee share schemes are set out in note 27 to the financial statements on page 138. Where shares are held on behalf of the Company's share schemes, the trustees have waived their right to vote and to dividends.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Significant shareholders

Notifications of the following voting interests in the Company's ordinary share capital have been received by the Company (in accordance with DTR 5). The information shown below was correct at the time of disclosure. However, the date received may not have been within the current financial reporting period and the percentages shown (as provided at the time of disclosure) have not been recalculated based on the issued share capital at the period end. It should also be noted that these holdings may have changed since the Company was notified; however, notification of any change is not required until the next notifiable threshold is crossed.

Subsequent to the year-end, Bayberry Capital Partners LP has disclosed information in accordance with DTR 5 on 21 November 2023, disclosing an indirect interest over 9,175,975 voting rights (4.91%). On 30 November Morgan Stanley also disclosed information disclosing an indirect interest over 13,020,150 voting rights (6.94%). No further notifications have been received by the Company between 1 October 2023 and 1 December 2023 (being the latest practical date prior to the date of this report).

Shareholder	As at 30 September 2023	
	Voting rights	% of voting rights
Aberforth Partners LLP	9,859,977	5.27
HSBC Holdings plc	9,558,166	5.10
Bayberry Capital Partners LP	9,410,500	5.03
Morgan Stanley	10,959,908	5.84
Momentum Global Investment Management Ltd	9,385,993	5.02
Dimensional Fund Advisors LLP	9,339,455	4.98
Coltrane Asset Management	9,355,366	5.00
ClearBridge Investments Limited	9,307,805	4.98
The Capital Group Companies, Inc	9,291,379	4.96
Standard Life Aberdeen plc	9,228,860	4.93
Brewin Dolphin	8,392,338	4.93
Sand Grove Capital Management	8,456,440	4.52
Royal London Asset Management Limited	6,794,023	3.99
The Wellcome Trust Limited	5,731,036	3.06

Preference shares

The Company also discloses the following information, obtained from the Register of Members, for the preference shares:

Shareholder	Number of shares	% of Issued Share Capital
Fiske Nominees Limited	31,548	42.06
Mrs Heather Mabel Medlock	10,407	13.88
George Mary Allison Limited	5,500	7.33
Rulegate Nominees Limited	4,550	6.07
Mr Nathanael Peter Knowles	4,356	5.81
Mr Neil Aston and Mr Thomas Alexander Southall	2,855	3.81
Cgwl Nominees Limited	2,805	3.74
Mrs Helen Michels	2,750	3.67
Mr Richard Somerville	2,750	3.67

Change of control

There are a number of agreements that take effect after, or terminate upon, a change of control of the Company, such as commercial contracts, bank loan agreements, property lease arrangements and employee share plans. None of these are considered to be significant in terms of their likely impact on the business as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Corporate Governance report continued

Directors' report

Employee information

The average number of employees within the Group is shown in note 5 to the financial statements on page 118. We want everyone to feel that they can be themselves at Marston's and not feel judged; that is when we know we are at our best. Our pubs are the heart of our communities and it is the people in our pubs that make them what they are. We have a responsibility to create and foster safe environments where our teams and guests feel a sense of belonging, feel respected and feel valued for who they are.

We want Marston's to be a place where our teams:

- relate to, feel represented by, and trust each other;
- feel valued and supported;
- feel involved in the bigger picture;
- are appreciated as individuals;
- communicate openly, have a voice, and are listened to.

We are taking steps to ensure that everyone feels included. That means creating a culture where we embrace different perspectives, backgrounds and ideas. Above all, we want our pubs and Pub Support Centre to be a place where everyone feels like they can be themselves.

We want to make sure our culture is inclusive. We started our movement in January 2022 when we formed an Inclusion Taskforce, chaired by Hayleigh Lupino, our Chief Financial Officer. The Inclusion Taskforce engages directly with our Board and senior leaders to share insight, challenges and solutions. The group comprises a mix of people with a passion for inclusion, who have similar beliefs, backgrounds or interests, some are allies. The Inclusion Taskforce provides input into our overall approach to diversity and inclusion and ensures we deliver what we set out to build: a community of networks, safe spaces for safe discussions that also lead to positive actions and outcomes. More information can be found on page 64 and in our Insight Report.

Human rights

Marston's is committed to respecting and upholding human rights, as expressed in the United Nations Universal Declaration of Human Rights, within our business and also within our supply chain. Our behaviours are aligned with our belief in, and commitment to, the Declaration of Human Rights. Our Human Rights Policy is available at www.marstonpubs.co.uk/responsibility and, for our suppliers, more information can be found in our Food Supplier Charter, also available on our website.

Modern Slavery Statement

Our Modern Slavery Act disclosure is available on our website www.marstonpubs.co.uk.

Research and development

Our Director of Insights and his team regularly undertake internal research and analysis such as guest satisfaction surveys and panelling, together with working with third-party independent data providers with expertise in retail and hospitality, including CGA and Reputation.

Greenhouse gas emissions, energy consumption and energy efficient action

One of our key priorities is to reduce our environmental impact. We recognise the importance of this to the long-term profitability of the business and operating a high-quality estate. Many of the environmental initiatives we adopt reduce our environmental impact as well as saving expenditure on energy and utilities. More details of how we are reducing our environmental impact can be found on pages 26 to 39 in our Strategic report and our Insight report.

Political donations

Our policy is not to make any donations for political purposes in the UK or to donate to EU political parties or incur EU political expenditure.

Financial instruments

The disclosures required in relation to the use of financial instruments by the Group, together with details of our treasury policy and management, are set out in note 25 to the financial statements on pages 132 to 138.

Corporate Governance report continued

Directors' report

Auditor

During the year, the Group conducted a comprehensive tender process for an external Auditor. KPMG were invited to tender alongside other firms, including mid-tier audit firms. The tender process was managed by the Company's Director of Financial Reporting & Tax and each of the firms received a formal invitation to tender. They spent time with the Audit Committee Chair, the CFO, the CEO and senior management. Written proposals were submitted and the top two firms gave oral presentations to the panel. Following the rigorous process, the Audit Committee recommended the appointment of RSM UK Audit LLP as the Company's new external Auditor after the conclusion of the 2022/23 audit.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report. The financial position of the Group is described on pages 12 to 15. Further details are set out in the financial statements on pages 100 to 153. In addition, note 25 to the financial statements on pages 132 to 138 includes the Group's objectives, policies and processes for managing its exposures to interest rate risk, foreign currency risk, counterparty risk, credit risk and liquidity risk. Details of the Group's financial instruments and hedging activities are also provided in note 25. The financial statement set out on pages 100 to 142 and 143 to 153 have been prepared on the going concern basis.

Annual General Meeting (AGM)

The 2024 AGM will be held at The Farmhouse at Mackworth in Derby on Tuesday 23 January 2024. Shareholders are once again welcome to attend the meeting in person, but we ask that you register your intention to attend ahead of time so we can monitor numbers in readiness for the meeting. Shareholders are able to ask questions ahead of the meeting, using the dedicated email address agm@marstons.co.uk if they are unable to attend in person. We will ensure that each question receives a direct response, with those questions pertinent to the business of the meeting available on request from the above email address.

To enable all shareholders to vote on all resolutions in proportion to their shareholding, the voting at the 2024 AGM will be conducted by way of a poll and shareholders are encouraged to vote as early as possible ahead of the meeting. The Company will release the results of voting, including proxy votes on each resolution, on its website on the next business day after the AGM and announce them through a regulatory news service. Details of how you can submit questions and cast your votes at the AGM are set out in the Notice of Meeting, which will be made available to shareholders by their chosen method of communication and is also available on our website.

Further details can be found in the notice convening the meeting. The notice, together with details of the special business to be considered and explanatory notes for each resolution, is distributed separately to shareholders. It is also available on the shareholder section of our website at www.marstonspubs.co.uk/investors where a copy can be viewed and downloaded.

By order of the Board

Bethan Raybould
General Counsel & Company Secretary
5 December 2023

Company registration number: 31461

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 Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' Remuneration report and Corporate Governance Statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the Annual Report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

Responsibility statement of the Directors in respect of the Annual Report:

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report/Directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Disclosure of information to Auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Hagleigh Lupino
Chief Financial Officer
5 December 2023

Independent auditor's report to the members of Marston's PLC

1 OUR OPINION IS UNMODIFIED

We have audited the financial statements of Marston's PLC ('the Company') for the 52 week period ended 30 September 2023 which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group Cash Flow Statement, Group Balance Sheet, Group Statement of Changes in Equity, Company Balance Sheet, Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 1 to both the Group and parent Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2023 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 24 January 2020. The period of total uninterrupted engagement is for the four financial periods ended 30 September 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality:	£7.0 million (2022: £12.3 million)
Group financial statements as a whole	0.8% of revenue (2022: 0.5% of total assets)
Coverage	100% (2022: 100%) of Group total revenue
Key audit matters	vs 2022
Recurring risks	Going concern ◀▶
	Valuation of effective freehold land and buildings ◀▶
	Carrying value of CML investment ◀▶

Independent auditor's report continued to the members of Marston's PLC

2 MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

	The risk	Our response
Going Concern We draw attention to note 1 to the financial statements which indicates that in the severe but plausible downside scenario the Group's and the parent Company's ability to continue as a going concern is dependent on the ability to achieve covenant waivers or amendments if required. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter. Refer to page 70 Audit Committee Report and page 110 accounting policy.	Disclosure quality The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and parent Company's business model and how those risks might affect the Group's and parent Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. There is little judgement involved in the Directors' conclusion that risks and circumstances described in note 1 to the financial statements represent a material uncertainty over the ability of the Group and the parent Company to continue as a going concern for a period of at least a year from the date of approval of the financial statements. However, clear and full disclosure of the facts and the Directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.	Our procedures included: • Assessing transparency: We critically assessed the adequacy of the Group's disclosures in relation to the material uncertainty over going concern. • Funding Assessment: We inspected correspondence with Credit Providers and board minutes during the period and after period-end to the date of authorisation of the Annual Report to identify any indications that Credit Providers may not continue to support the Group in the severe but plausible downside scenario through covenant amendments. • Historical comparison: We compared forecast results for previous periods with the actual experience of previous periods to assess the Group's ability to accurately forecast; • Key dependency assessment: We evaluated the Group's covenant and cash flow projections and their underlying assumptions by reference to our knowledge of the business, the Credit Agreements and available facilities to the Group; • Sensitivity analysis: We considered whether the Group would have sufficient cash headroom and require covenant waivers in the forecast period in a severe but plausible downside scenario that reflected the plausible impact of the cost-of-living crisis on the business; • Our experience: To assess the likelihood that the Credit Providers will not agree covenant amendments we used our knowledge of current market conditions and similar covenant amendments and waivers agreed between the Group and Credit Providers in previous periods; • Benchmarking assumptions: We evaluated whether there is adequate support for the assumptions underlying the Directors' base case forecast and in a severe but plausible downside scenario we evaluated the assumptions and mitigations available, whether they are realistic and achievable and consistent with the external and/or internal environment and other matters identified in the audit. • Evaluating directors' intent: We evaluated the cashflow forecasts to assess the controllable mitigations available to the Group such as deferring discretionary costs to improve cash headroom if required in a severe but plausible downside scenario. Our results We found the going concern disclosure in note 1 with a material uncertainty to be acceptable (2022: acceptable).

Independent auditor's report continued to the members of Marston's PLC

3 OTHER KEY AUDIT MATTERS: INCLUDING OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is a significant key audit matter and is described in section 2 of our report. We summarize below the other key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Valuation of effective freehold land and buildings (Group – £1,645.1 million; 2022: £1,682.4 million) Downwards revaluation: £24.3 million; 2022: Upwards revaluation £75.1 million) (Parent company -£184.1 million; 2022: £192.7 million) Downwards Revaluation: £11.5 million; 2022: Upwards Revaluation £19.6 million) Refer to page 69 Audit Committee Report, page 112 accounting policy and page 123 financial disclosures.	Subjective Valuation The valuation of the Group's and the parent Company's freehold land and buildings and 'effective freehold' leasehold properties held at fair value is a key area of estimation. The valuation involves the determination of key assumptions, most noticeably the fair maintainable trade (FMT) and applicable trading multiples. These assumptions are inherently subjective and small changes in the assumptions used to value the Group's and the parent Company's land and buildings could have a significant effect on the strength of the Group's and parent Company's balance sheet. The effect of these matters is that, as part of our risk assessment, we determined that valuation of the effective freehold land and buildings has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 11) disclose the range estimated by the Group.	Our procedures included: • Assessing valuation approach: We met with the Group's external valuers to understand the assumptions and methodologies used in valuing the properties and the market evidence used by the external valuers to support their assumptions. We also obtained an understanding of the directors' involvement in the valuation process to assess whether appropriate oversight has occurred; • Assessing valuer's credentials: We critically assessed the independence, professional qualifications, competence and experience of the external valuers engaged by the Group; • Benchmarking assumptions: We challenged the key assumptions, being the FMT and trading multiples, with the assistance of our own KPMG valuation specialists by making a comparison to market comparable data; • Assessing inputs: We vouched observable inputs including the trading performance data used for a sample of assets in the valuation to source documentation; • Assessing outputs: We evaluated and challenged the output of the valuations through the identification of higher risk assets with the assistance of our own valuation specialists; • Assessing transparency: We critically assessed the adequacy of the Group's disclosures in relation to the valuation of the effective freehold land and buildings and the sensitivity of changes in the key assumptions. We performed the detailed tests above rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our results We performed an assessment of whether an overstatement of the valuation of the effective freehold land and buildings identified through these procedures was material. Overall we found the valuation of the effective freehold land and buildings to be acceptable (2022: acceptable).

Independent auditor's report continued to the members of Marston's PLC

3 OTHER KEY AUDIT MATTERS: INCLUDING OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT CONTINUED

	The risk	Our response
Carrying Value of CML Investment (£250.9 million; 2022: £260.3 million) Refer to page 70 Audit Committee Report, page 111 accounting policy and page 126 financial disclosures.	Forecast-based assessment The Group holds an investment in associate named Carlsberg Marston's Limited ('CML'). The investment is significant and at risk of impairment due to the increase in market interest rates and uncertain macroeconomic environment impacting the brewing sector. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cashflows. The effect of these matters is that, as part of our risk assessment, for audit planning purposes, we determined that the carrying value of investment in CML has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we concluded that reasonably possible changes to the recoverable amount of investment in CML would not be expected to result in material impairment.	Our procedures included: • Assessing component audit: We assessed the work performed by the associate audit team on the in scope component and considered the results of that work on the associate's investment value; • Historical comparisons: We evaluated the historical accuracy of the Group's forecasting against actual results in the period. • Our sector experience: We compared the Group's discount rate used to arrive at the recoverable amount with our own calculation of the discount rate based on our valuations experience and knowledge of the sector. • Sensitivity analysis: We evaluated the appropriateness and likelihood of the Group's sensitivities and their impact of the overall impairment test outcome and performed our own additional sensitivity analysis. • Assessing transparency: We critically assessed the adequacy of the Group's disclosures in relation to the carrying value of the investment in associate. We performed the detailed tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our results We found the Group's conclusion that there is no impairment of the carrying value of the investment to be acceptable (2022: acceptable).

4 OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at £7.0 million, determined with reference to a benchmark of Revenue (of which it represents 0.8%). In the prior period, materiality for the Group financial statements as a whole was set at £12.3 million, determined with reference to a benchmark of Group total assets, of which it represented 0.5%. In addition, in the prior period, we applied materiality of £3.5 million to specific Group income statement items such as revenue and underlying operating costs.

We consider revenue to be the most appropriate benchmark in the current period given that it is the best reflection of the cash generation of the group, is a stable benchmark and reflects the return of the business to post-pandemic trading and will therefore be a focus of users of the accounts.

Materiality for the parent Company financial statements as a whole was set at £6.9 million (2022: £9.0 million), determined with reference to a benchmark of parent Company total assets, of which it represents 0.5% (2022: 0.7%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £5.3 million (2022: £9.1 million) for the Group and £5.2 million (2022: £6.8 million) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.4 million (2022: £0.6 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

We subjected the Group's only associate CML to a full scope audit as we determined it was financially significant. Materiality was set at £7.0 million (2022: £5.5 million) based on its relative size adjusting for Marston's 40% share in the business.

Independent auditor's report continued to the members of Marston's PLC

4 OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT CONTINUED

A component auditor was instructed to carry out a full scope audit of CML. We also asked the component auditor to perform specific procedures on the cash flow forecasts of the component. We used that work to audit the Group's own impairment review of the investment in its associate.

The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality and performance materiality level set out above.

The scope of the audit work performed was predominantly substantive as we placed limited reliance upon the Group's internal control over financial reporting.

5 GOING CONCERN BASIS OF PREPARATION

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the parent Company or to cease their operations, and as they have concluded that the Group and the parent Company's financial position means that this is realistic for at least a year from the date of approval of the financial statements ('the going concern period'). As stated in section 2 of our report, they have also concluded that there is a material uncertainty related to going concern.

An explanation of how we evaluated management's assessment of going concern is set out in section 2 of our report.

Our conclusions based on this work:

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have nothing material to add or draw attention to in relation to the Directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting, and their identification therein of a material uncertainty over the Group and parent Company's ability to continue to use that basis for the going concern period; and
- The related statement under the Listing Rules set out on page 100 is materially consistent with the financial statements and our audit knowledge.

Independent auditor's report continued to the members of Marston's PLC

6 FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the Audit Committee, internal audit and inspection of policy documentation as to the Group's/parent Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's/parent Company's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit Committee and Remuneration Committee minutes.
- Considering remuneration incentive schemes and performance targets.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Considering the existence of any significant unusual transactions.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of the effective freehold land and buildings, valuation of derivatives and pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because Group revenue is generated mainly from retail through the operation of pubs. Retail revenue contains no significant judgements, and is comprised of a large number of small, simple transactions that are received in cash or credit card receivables at the point of sale. Therefore, there is limited opportunity for management manipulation or to fraudulently post the volume of transactions that would be required to have a material impact on revenue.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness and the design of some of the Group-wide fraud risk management controls. Refer to page 70 of the Audit Committee report.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries made to unusual accounts related to revenue, cash and loans and borrowings and those posted by privileged users.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management as required by auditing standards. We also discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits, pensions legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate.

We identified the following areas as those most likely to have such an effect: the Pubs Code, health and safety, GDPR compliance, anti-bribery, employment law, Payment Card Industry compliance, money laundering, environmental protection, consumer rights, misrepresentation, market abuse legislation and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent auditor's report continued to the members of Marston's PLC

6 FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT CONTINUED

We discussed with the Audit Committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7 WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, other than the material uncertainty related to going concern referred to above, we have nothing further material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 53 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement set out on page 53 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and parent Company's longer-term viability.

Independent auditor's report continued to the members of Marston's PLC

7 WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT CONTINUED

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8 WE HAVE NOTHING TO REPORT ON THE 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:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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.

We have nothing to report in these respects.

9 RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 91, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities. The parent Company is required to include these financial statements in an annual report prepared under Disclosure Guidance and Transparency Rule ('DTR') 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

10 THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



(Senior Statutory Auditor)

for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants

One Snowhill,
Snow Hill Queensway
Birmingham
B4 6GH
5 December 2023

Group income statement

For the 52 weeks ended 30 September 2023

	Note	2023			2022		
		Underlying ¹ £m	Non-underlying ¹ (note 4) £m	Total £m	Underlying ¹ £m	Non-underlying ¹ (note 4) £m	Total £m
Revenue	3	872.3	–	872.3	799.6	–	799.6
Net operating expenses	3	(747.5)	(34.6)	(782.1)	(684.2)	26.7	(657.5)
Income from associates	12	9.9	–	9.9	3.3	–	3.3
Operating profit/(loss)		134.7	(34.6)	100.1	118.7	26.7	145.4
Finance costs	6	(100.4)	–	(100.4)	(91.9)	–	(91.9)
Finance income	6	1.2	–	1.2	0.9	0.5	1.4
Interest rate swap movements	4, 6	–	(21.6)	(21.6)	–	109.2	109.2
Contingent consideration fair value movement	4, 6	–	–	–	–	(0.7)	(0.7)
Net finance (costs)/income	4, 6	(99.2)	(21.6)	(120.8)	(91.0)	109.0	18.0
Profit/(loss) before taxation		35.5	(56.2)	(20.7)	27.7	135.7	163.4
Taxation	4, 7	(3.5)	14.9	11.4	(0.2)	(26.0)	(26.2)
Profit/(loss) for the period attributable to equity shareholders		32.0	(41.3)	(9.3)	27.5	109.7	137.2

The results for the current period reflect the 52 weeks ended 30 September 2023 and the results for the prior period reflect the 52 weeks ended 1 October 2022.

Earnings/(loss) per share:	Note	2023 p	2022 p
Basic (loss)/earnings per share	9	(1.5)	21.7
Basic underlying ¹ earnings per share	9	5.1	4.3
Diluted (loss)/earnings per share	9	(1.5)	21.4
Diluted underlying ¹ earnings per share	9	5.1	4.3

¹ Alternative performance measures (APMs) are defined and reconciled to a statutory equivalent in the additional information commencing on page 154.

Group statement of comprehensive income

For the 52 weeks ended 30 September 2023

	2023 £m	2022 £m
(Loss)/profit for the period	(9.3)	137.2
Items of other comprehensive income that may subsequently be reclassified to profit or loss		
(Losses)/gains arising on cash flow hedges	(3.0)	23.9
Transfers to the income statement on cash flow hedges	11.4	17.0
Other comprehensive income/(expense) of associates	0.8	(0.8)
Tax on items that may subsequently be reclassified to profit or loss	(2.1)	(10.2)
	7.1	29.9
Items of other comprehensive income that will not be reclassified to profit or loss		
Remeasurement of retirement benefits	(9.2)	23.3
Unrealised surplus on revaluation of properties	95.6	105.8
Reversal of past revaluation surplus	(93.9)	(34.3)
Tax on items that will not be reclassified to profit or loss	(0.2)	(20.5)
	(7.7)	74.3
Other comprehensive (expense)/income for the period	(0.6)	104.2
Total comprehensive (expense)/income for the period attributable to equity shareholders	(9.9)	241.4

The results for the current period reflect the 52 weeks ended 30 September 2023 and the results for the prior period reflect the 52 weeks ended 1 October 2022.

Group cash flow statement

For the 52 weeks ended 30 September 2023

	Note	2023 £m	2022 £m
Operating activities			
(Loss)/profit for the period		(9.3)	137.2
Taxation		(11.4)	26.2
Net finance costs/(income)		120.8	(18.0)
Depreciation and amortisation		45.5	44.2
Working capital movement	31	(29.0)	(31.8)
Non-cash movements	31	12.3	(30.4)
Decrease in provisions and other non-current liabilities		(0.8)	(7.0)
Difference between defined benefit pension contributions paid and amounts charged		(7.6)	(7.3)
Dividends from associates		21.6	19.4
Income tax (paid)/received		(0.9)	1.5
Net cash inflow from operating activities		141.2	134.0
Investing activities			
Interest received		1.8	0.9
Sale of property, plant and equipment and assets held for sale		51.3	9.9
Purchase of property, plant and equipment and intangible assets		(65.3)	(70.1)
Disposal of subsidiary		–	28.2
Finance lease capital repayments received		2.5	2.7
Net transfer (to)/from other cash deposits	30	(0.1)	0.2
Net cash outflow from investing activities		(9.8)	(28.2)
Financing activities			
Interest paid		(93.1)	(79.4)
Arrangement costs of bank facilities		(4.0)	–
Repayment of securitised debt		(39.4)	(37.4)
Advance of bank borrowings		14.0	25.0
Net repayments of capital element of lease liabilities		(5.1)	(8.5)
Repayment of other borrowings		(5.0)	(10.0)
Net cash outflow from financing activities		(132.6)	(110.3)
Net decrease in cash and cash equivalents	30	(1.2)	(4.5)

The cash flows for the current period reflect the 52 weeks ended 30 September 2023 and the cash flows for the prior period reflect the 52 weeks ended 1 October 2022.

Group balance sheet

As at 30 September 2023

	Note	30 September 2023 £m	1 October 2022 £m
Non-current assets			
Intangible assets	10	32.9	35.1
Property, plant, and equipment	11	2,064.8	2,111.0
Interests in associates	12	250.9	260.3
Other non-current assets	13	15.0	17.9
Deferred tax assets	14	0.9	–
Retirement benefit surplus	15	12.9	15.1
Derivative financial instruments	16	2.7	1.8
		2,380.1	2,441.2
Current assets			
Derivative financial instruments	16	1.1	3.3
Inventories	17	14.9	12.6
Trade and other receivables	18	26.9	30.1
Current tax assets		0.4	–
Other cash deposits		3.1	3.0
Cash and cash equivalents		26.5	27.7
		72.9	76.7
Assets held for sale	19	1.4	4.8
		74.3	81.5
Current liabilities			
Borrowings	20	(65.9)	(64.1)
Trade and other payables	22	(170.4)	(204.4)
Current tax liabilities		–	(1.2)
Provisions for other liabilities and charges	23	(1.4)	(1.0)
		(237.7)	(270.7)
Non-current liabilities			
Borrowings	20	(1,529.5)	(1,560.6)
Derivative financial instruments	16	(37.4)	(25.5)
Other non-current liabilities	24	(7.1)	(6.5)
Provisions for other liabilities and charges	23	(2.6)	(3.3)
Deferred tax liabilities	14	–	(8.0)
		(1,576.6)	(1,603.9)
Net assets		640.1	648.1

Group balance sheet continued

As at 30 September 2023

	Note	30 September 2023 £m	1 October 2022 £m
Shareholders' equity			
Equity share capital	28	48.7	48.7
Share premium account		334.0	334.0
Revaluation reserve		412.1	417.1
Capital redemption reserve	29	6.8	6.8
Hedging reserve		(44.4)	(50.7)
Own shares	29	(110.6)	(110.9)
Retained earnings		(6.5)	3.1
Total equity		640.1	648.1

The financial statements were approved by the Board and authorised for issue on 5 December 2023 and are signed on its behalf by:


 Hayleigh Lupino
 Chief Financial Officer
 5 December 2023

Group statement of changes in equity

For the 52 weeks ended 30 September 2023

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 2 October 2022	48.7	334.0	417.1	6.8	(50.7)	(110.9)	3.1	648.1
Loss for the period	-	-	-	-	-	-	(9.3)	(9.3)
Remeasurement of retirement benefits	-	-	-	-	-	-	(9.2)	(9.2)
Tax on remeasurement of retirement benefits	-	-	-	-	-	-	2.3	2.3
Losses on cash flow hedges	-	-	-	-	(3.0)	-	-	(3.0)
Transfers to the income statement on cash flow hedges	-	-	-	-	11.4	-	-	11.4
Tax on hedging reserve movements	-	-	-	-	(2.1)	-	-	(2.1)
Other comprehensive income of associates	-	-	-	-	-	-	0.8	0.8
Property revaluation	-	-	95.6	-	-	-	-	95.6
Property impairment	-	-	(93.9)	-	-	-	-	(93.9)
Deferred tax on properties	-	-	(2.5)	-	-	-	-	(2.5)
Total comprehensive (expense)/income	-	-	(0.8)	-	6.3	-	(15.4)	(9.9)
Share-based payments	-	-	-	-	-	-	0.4	0.4
Sale of own shares	-	-	-	-	-	0.3	(0.3)	-
Transfer disposals to retained earnings	-	-	(5.0)	-	-	-	5.0	-
Transfer tax to retained earnings	-	-	0.8	-	-	-	(0.8)	-
Changes in equity of associates	-	-	-	-	-	-	1.5	1.5
Total transactions with owners	-	-	(4.2)	-	-	0.3	5.8	1.9
At 30 September 2023	48.7	334.0	412.1	6.8	(44.4)	(110.6)	(6.5)	640.1

Group statement of changes in equity continued

For the 52 weeks ended 1 October 2022

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 3 October 2021	48.7	334.0	360.5	6.8	(81.4)	(111.1)	(151.1)	406.4
Profit for the period	–	–	–	–	–	–	137.2	137.2
Remeasurement of retirement benefits	–	–	–	–	–	–	23.3	23.3
Tax on remeasurement of retirement benefits	–	–	–	–	–	–	(5.8)	(5.8)
Gains on cash flow hedges	–	–	–	–	23.9	–	–	23.9
Transfers to the income statement on cash flow hedges	–	–	–	–	17.0	–	–	17.0
Tax on hedging reserve movements	–	–	–	–	(10.2)	–	–	(10.2)
Other comprehensive expense of associates	–	–	–	–	–	–	(0.8)	(0.8)
Property revaluation	–	–	105.8	–	–	–	–	105.8
Property impairment	–	–	(34.3)	–	–	–	–	(34.3)
Deferred tax on properties	–	–	(14.7)	–	–	–	–	(14.7)
Total comprehensive income	–	–	56.8	–	30.7	–	153.9	241.4
Share-based payments	–	–	–	–	–	–	0.5	0.5
Sale of own shares	–	–	–	–	–	0.2	(0.2)	–
Transfer disposals to retained earnings	–	–	(0.2)	–	–	–	0.2	–
Changes in equity of associates	–	–	–	–	–	–	(0.2)	(0.2)
Total transactions with owners	–	–	(0.2)	–	–	0.2	0.3	0.3
At 1 October 2022	48.7	334.0	417.1	6.8	(50.7)	(110.9)	3.1	648.1

Further detail in respect of the Group's equity is provided in notes 28 and 29.

Notes

For the 52 weeks ended 30 September 2023

1 ACCOUNTING POLICIES

The Group's principal accounting policies are set out below:

Basis of preparation

These consolidated financial statements for the 52 weeks ended 30 September 2023 (2022: 52 weeks ended 1 October 2022) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted within the UK and in accordance with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain items, principally effective freehold land and buildings, certain financial instruments, retirement benefits and share-based payments, as explained below.

New standards

The Group has adopted the following new or revised standards in the current period:

IFRS 3	Business Combinations Reference to the Conceptual Framework
IAS 16	Property, Plant and Equipment Amendments prohibiting an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use
IAS 37	Provisions, Contingent Liabilities and Contingent Assets Amendments regarding the costs to include when assessing whether a contract is onerous

The Group has adopted the amendments to IAS 12 'Income Taxes' (International Tax Reform – Pillar Two Model Rules) during the current period which introduces a temporary mandatory exception to the accounting for deferred taxes arising from the implementation of the Pillar Two model rules. The temporary mandatory exception is applicable immediately and retrospectively, and requires further disclosure during the financial period ending 28 September 2024.

There is no material impact of these new or revised standards on the consolidated financial statements for the 52 weeks ended 30 September 2023.

The International Accounting Standards Board (IASB) have issued the following new or revised standards with an effective date for financial periods beginning on or after the dates disclosed below. These standards have not yet been adopted by the Group. The IASB have also issued a number of minor amendments to standards as part of their Annual Improvements to IFRS.

IFRS 7	Financial Instruments: Disclosures Supplier finance arrangements	1 January 2024
IFRS 10	Consolidated Financial Statements Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Date deferred
IFRS 16	Leases Amendments regarding seller-lessor subsequent measurement in a sale and leaseback transaction	1 January 2024
IFRS 17	Insurance Contracts New accounting standard	1 January 2023
IAS 1	Presentation of Financial Statements Amendments regarding the disclosure of accounting policies Amendments regarding the classification of liabilities Amendments regarding the classification of debt with covenants	1 January 2023 1 January 2024 1 January 2024
IAS 7	Statement of Cash Flows Supplier finance arrangements	1 January 2024
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors Amendments regarding the definition of accounting estimates	1 January 2023
IAS 12	Income Taxes Amendments regarding deferred tax on leases and decommissioning obligations	1 January 2023
IAS 28	Investments in Associates and Joint Ventures Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Date deferred

It is not anticipated that any of the above unadopted new standards will have a material impact on the Group's results or financial position.

Notes continued

For the 52 weeks ended 30 September 2023

1 ACCOUNTING POLICIES CONTINUED

Going concern

The cost-of-living crisis and inflationary pressures has led to lower underlying¹ profit and operating cashflows than would otherwise have resulted had these macroeconomic conditions not existed.

The Group's sources of funding include its securitised debt, a £300.0 million bank facility available until January 2025 (of which £229.0 million was drawn at 30 September 2023), a £40.0 million private placement in place until January 2025, and a £5.0 million seasonal overdraft facility which extends to £20.0 million from 25 January to 6 May and 1 July to 12 August each year (of which £nil was drawn at 30 September 2023).

There are two covenants associated with the Group's securitised debt – free cash flow to debt service coverage ratio (FCF DSCR) and Net Worth. The FCF DSCR is a measure of free cash flow to debt service for the group headed by Marston's Pubs Parent Limited and is required to be a minimum of 1.1 over both a two-quarter and four-quarter period, and the Net Worth is derived from the net assets of that group of companies.

There are three covenants associated with the Group's bank and private placement borrowings for the non-securitised group of companies – Debt Cover, Interest Cover and Liquidity. The Debt Cover covenant is a measure of net borrowings to EBITDA which is a maximum of 4.5 times from 30 September 2023, reducing to 4.0 times from 29 June 2024. The Interest Cover covenant is a measure of EBITDA to finance charges, which is a minimum of 1.5 times from 30 September 2023, rising on a stepped basis to 1.75 times from 30 December 2023 and 2.0 times from 29 June 2024. The Liquidity covenant is a measure of headroom on the Group's bank and private placement borrowings, which is a minimum of £35.0 million on the last day of each fiscal month from 30 September 2023, increasing to £45.0 million from 27 July 2024.

The Directors have performed an assessment of going concern over the period of 12 months from the date of signing these financial statements, to assess the adequacy of the Group's financial resources. In performing their assessment, the Directors considered the Group's financial position and exposure to principal risks, including the cost-of-living crisis and inflationary pressure. The Group's base case forecast assumes moderate sales price increases and operational costs (that have not already been secured) rising broadly in line with inflation. On the Group's base case forecast, no covenants are forecast to be breached within the next 12 months and the Group has adequate liquidity throughout the going concern period.

The Directors have also considered a severe but plausible downside scenario, incorporating a 5% reduction in sales volume as a consequence of the cost-of-living crisis and current inflationary pressures along with a reasonably plausible increase in costs compared to the base case forecast. The conclusion of this assessment was that the Directors are satisfied that the Group has adequate liquidity to withstand such a severe but plausible downside scenario. However, in this severe but plausible downside scenario only, even after factoring in mitigations under the control of management such as reductions in discretionary spend, the Group would be required to obtain covenant amendments in respect of its Interest Cover covenant associated with the Group's bank and private placement borrowings in the outer quarters of the going concern period. In such a severe but plausible downside, the Group has a number of options. The Group would be very confident in leveraging the supportive relationship it has with its lenders and renegotiate the terms of its financing in advance of any covenant amendment being required or the Group would seek covenant amendments. Whilst there is no certainty since it requires the agreement of its lenders, based on covenant amendments previously secured, the successful amend and extend to the RCF and private placement during the period and the continued positive relationships, the Directors believe they will be able to secure any such amendments required.

Considering the above, the Directors are satisfied that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing these financial statements. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing these financial statements. However, a material uncertainty exists as a result of the potential requirement to obtain covenant amendments in the severe but plausible downside scenario, which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Marston's PLC and all of its subsidiary undertakings. The results of 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 date when control ceased. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. Transactions between Group companies are eliminated on consolidation.

Notes continued

For the 52 weeks ended 30 September 2023

1 ACCOUNTING POLICIES CONTINUED

The Group has applied the purchase method in accounting for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the consideration paid and deferred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition costs are expensed as incurred. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the identifiable net assets of the subsidiary acquired, the difference is recognised immediately in the income statement.

When the Group loses control of a subsidiary the carrying amounts of the assets and liabilities of that subsidiary are derecognised at the date when control is lost. The fair value of the consideration received is recognised alongside any investment retained in the former subsidiary at the date that control is lost. Any resulting difference is recognised in full as a gain or loss under IFRS 10 'Consolidated Financial Statements'.

The consolidated financial statements incorporate the results of Marston's Issuer PLC and its parent company, Marston's Issuer Parent Limited. Marston's Issuer PLC was set up with the sole purpose of issuing debt secured on assets owned by the Group. Wilmington Trust SP Services (London) Limited holds the shares of Marston's Issuer Parent Limited under a declaration of trust for charitable purposes. The rights provided to the Group through the securitisation give the Group power over these companies and the ability to use that power to affect its exposure to variable returns from them. As such the Directors of Marston's PLC consider that these companies are controlled by the Group, as defined in IFRS 10, and hence for the purpose of the consolidated financial statements they have been treated as subsidiary undertakings.

The Group's interests in associates are accounted for using the equity method. On initial recognition the investment in an associate is recognised at cost and the carrying amount is subsequently increased or decreased to recognise the Group's share of the profit or loss, other comprehensive income and changes in equity of the associate after the date of acquisition. The net investment in an associate is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of events that occurred after the initial recognition of the net investment which have an impact on the estimated future cash flows that can be reliably estimated.

Revenue and other operating income

The Group's revenue from contracts with customers comprises outlet sales and wholesale sales.

Outlet sales

The Group sells food and drink to customers in its pubs. Revenue from the sale of food and drink is recognised when the goods are sold to the customers in the pubs. Payment of the transaction price is due immediately when the goods are provided to the customer.

The Group provides accommodation to customers in its pubs and lodges. Revenue from the provision of accommodation is recognised over the period of the customer's stay. Payment of the transaction price is due at the time of the customer's stay.

The Group provides gaming machines for customers to play in its pubs. Revenue from gaming machines is recognised when the game has been played. Payment of the transaction price is due when the game is played.

In respect of its franchised arrangements, where the Group controls the above goods or services before those goods or services are transferred to the customer, the associated income is included within the Group's revenue. The Group recognises revenue in respect of its franchised arrangements as a principal rather than an agent because the Group has discretion in establishing prices for the above goods or services with the supplier and controls the goods prior to transfer to the customer.

Wholesale sales

The Group sells drinks to tenants of its licensed properties. Revenue is recognised when the Group has transferred control of the goods to the customer. This occurs when the goods have been delivered to the customer, the customer has obtained legal title to the goods, the Group cannot require the return or transfer of the goods and the customer has an unconditional obligation to pay for the goods.

The Group has discretion in establishing the price of goods delivered to the customer and the Group is responsible for fulfilling the promise to provide the specified goods.

A receivable is recognised when the goods are delivered, and payment is due in line with each customer's individual credit terms. These terms are all less than one year and as such no element of financing is considered to be present.

Rental income

The Group also includes rent receivable from tenants of its licensed properties within revenue. This income is recognised in the period to which it relates.

Notes continued

For the 52 weeks ended 30 September 2023

1 ACCOUNTING POLICIES CONTINUED

Operating segments

The Group is considered to have one operating segment under IFRS 8 'Operating Segments' and therefore no disclosures are presented. This is in line with the reporting to the chief operating decision maker and the operational structure of the business. The measure of profit or loss reviewed by the chief operating decision maker is underlying¹ profit/loss before tax.

Non-underlying¹ items

In order to illustrate the underlying¹ performance of the Group, presentation has been made of performance measures excluding those items which it is considered would distort the comparability of the Group's results. Non-underlying¹ items are defined as those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to enable users of the financial statements to better understand elements of financial performance in the period, so as to facilitate comparison with future and prior periods. As management of the freehold and leasehold property estate is an essential and significant area of the business, the threshold for classification of property related items as non-underlying¹ is higher than other items.

Details in respect of non-underlying¹ items recognised in the current and prior period are provided in note 4. Material judgements in respect of the classification of non-underlying¹ items in the current period related to the impairment of freehold and leasehold properties and the interest rate swap movements. The impairment of freehold and leasehold properties and the interest rate swap movements were considered to be non-underlying¹ as they were significant items that resulted primarily from movements in external market variables rather than reflecting the underlying¹ trading performance of the Group.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Intangible assets arising on an acquisition are recognised separately from goodwill if the fair value of these assets can be identified separately and measured reliably.

Amortisation is calculated on a straight-line basis over the estimated useful life of the intangible asset. Where the useful life of the asset is considered to be indefinite no annual amortisation is provided but the asset is subject to annual impairment reviews. Impairment reviews are carried out more frequently if events or changes in circumstances indicate that the carrying value of an asset may be impaired. Any impairment of carrying value is charged to the income statement. The useful lives of the Group's intangible assets are:

Computer software	5 to 20 years
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Property, plant, and equipment

- Land and buildings which are either freehold or are in substance freehold assets are classed as effective freehold land and buildings. This includes leasehold land and buildings with a term exceeding 100 years at acquisition/commencement of the lease or where there is an option to purchase the freehold at the end of the lease term for a nominal amount. All other leasehold land and buildings are classed as leasehold land and buildings.
- Effective freehold land and buildings are initially stated at cost and subsequently at valuation. Leasehold land and buildings and fixtures, fittings, tools and equipment are stated at cost.
- Depreciation is charged to the income statement on a straight-line basis to provide for the cost or valuation of the assets less their residual values over their useful lives.
- Land and buildings are depreciated to their residual values over the lower of the lease term (where applicable) and 50 years.
- Fixtures, fittings, tools and equipment are depreciated over periods ranging from 3 to 15 years.
- Own labour and interest costs directly attributable to capital projects are capitalised.

Residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. The Group's effective freehold land and buildings in respect of its pub estate are considered to have a residual value equal to their current valuation and as such no depreciation is charged on these assets.

Effective freehold land and buildings are revalued by qualified valuers on an annual basis using open market values so that the carrying value of an asset does not differ significantly from its fair value at the balance sheet date. The annual valuations are determined via third-party inspection of approximately a third of the sites such that all sites are individually inspected every three years. Substantially all of the Group's effective freehold land and buildings have been valued by a third-party 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.

For effective freehold land and buildings, revaluation losses are charged to the revaluation reserve to the extent that a previous gain has been recorded for that asset, and thereafter to the income statement. Surpluses on revaluation are recognised in the revaluation reserve, except to the extent that they reverse previously charged impairment losses for that asset, in which case the reversal is recorded in the income statement.

Notes continued

For the 52 weeks ended 30 September 2023

1 ACCOUNTING POLICIES CONTINUED

The effective freehold property estate is assessed at each reporting date to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. This is consistent with the requirements of IAS 16 'Property, Plant and Equipment'.

Disposals of property, plant and equipment

Profit/loss on disposal of property, plant and equipment represents net sale proceeds less the carrying value of the assets and any associated lease liabilities. Any element of the revaluation reserve relating to the property disposed of is transferred to retained earnings at the date of sale.

Impairment

If there are indications of impairment or reversal of impairment, an assessment is made of the recoverable amount of each significant cash generating unit; these are considered to be each individual trading sites. If there are indications of impairment or reversal of impairment as a result of a gap between the Group's market capitalisation and asset values, an assessment is made of the recoverable amount of the Group as a single cash generating unit; this includes the Group's effective freehold land and buildings and leasehold land and buildings. An impairment loss is recognised where the recoverable amount is lower than the carrying value of assets, including goodwill. The recoverable amount is the higher of value in use and fair value less costs to sell. The impairment loss is recognised in the income statement unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation reserve to the extent that a previous gain has been recorded, and thereafter to the income statement.

Where there is an indication that any previously recognised impairment losses no longer exist or have decreased, a reversal of the loss is made if there has been a change in the estimates used to determine the recoverable amounts since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount only up to the carrying amount that would have resulted, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior periods. The reversal is recognised in the income statement unless the asset is carried at a revalued amount. The reversal of an impairment loss on a revalued asset is recognised in other comprehensive income and increases the revaluation surplus for that asset. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, the reversal of that impairment loss is recognised in the income statement. The depreciation charge is adjusted in future periods to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life. There is no reversal of impairment losses relating to goodwill.

Leases

At the inception of a contract the Group assesses whether that contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has taken the practical expedient in paragraph C3 of IFRS 16 'Leases' not to reassess whether an existing contract is or contains a lease at the date of initial application and as such the IFRS 16 definition of a lease has only been applied to contracts which were entered into or amended on or after 29 September 2019.

The lease term is determined as the non-cancellable period of a lease together with periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and the periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

The Group has elected not to apply the lessee requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value. The lease payments for such leases are recognised as an expense on a straight-line basis over the lease term. For all other leases where it is the lessee the Group recognises a lease liability and a right-of-use asset at the commencement date of the lease.

The lease liability is recognised as the present value of the lease payments discounted using either the interest rate implicit in the lease or, where that rate cannot be readily determined, the Group's incremental borrowing rate. The lease payments include variable payments that depend on an index or rate and the exercise price of a purchase option if it is reasonably certain that it will be exercised. The lease liability is subsequently increased to reflect the interest thereon, reduced by the lease payments made and remeasured to reflect any reassessments or lease modifications, such as a change in future lease payments resulting from a change in an index or rate or a change in the lease term.

The right-of-use asset is recognised at an amount equal to the total of the lease liability, any lease payments made at or before the commencement date, any initial direct costs and the estimated future dismantling, removal, and site restoration costs. The Group has elected to apply the revaluation model to right-of-use assets relating to the effective freehold land and buildings class of property, plant, and equipment. All other right-of-use assets are held under the cost model and subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability.

Notes continued

For the 52 weeks ended 30 September 2023

1 ACCOUNTING POLICIES CONTINUED

For assets where the Group is the lessor, leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Where the Group is an intermediate lessor of an asset, the sublease is classified as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease rather than the underlying asset.

Income receivable under operating leases is credited to the income statement on a straight-line basis over the term of the lease.

Where a sublease is classified as a finance lease the right-of-use asset is derecognised and the Group recognises a finance lease receivable at an amount equal to the net investment in the lease. The lease payments are discounted at the interest rate implicit in the lease, or where this cannot be readily determined, the discount rate used for the head lease. Finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

Obligations arising from sale and leaseback arrangements with repurchase options that do not fall within the scope of IFRS 16 are classified as other lease related borrowings and accounted for in accordance with IFRS 9 'Financial Instruments'.

Inventories

Inventories are stated at the lower of cost and net realisable value and are valued on a 'first in, first out' basis.

Assets held for sale

Assets, typically properties and related fixtures and fittings, are categorised as held for sale when their value will be recovered through a sale transaction rather than continuing use. This condition is met when the sale is highly probable, 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. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Financial instruments

The Group classifies its financial assets in one of the following two categories: at fair value through profit or loss and at amortised cost. The Group classifies its financial liabilities in one of the following two categories: at fair value through profit or loss and other financial liabilities.

The Group classifies a financial asset as at amortised cost if it has not been designated as at fair value through profit or loss, the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest.

Financial instruments at fair value through profit or loss

Derivatives are categorised as financial instruments at fair value through profit or loss unless they are designated as part of a hedging relationship. The Group holds no other financial instruments at fair value through profit or loss.

Financial assets at amortised cost

Financial assets at amortised cost comprise finance lease receivables, trade receivables, other receivables, other cash deposits and cash and cash equivalents in the balance sheet and are measured using the effective interest method.

Other financial liabilities

Non-derivative financial liabilities are classified as other financial liabilities. The Group's other financial liabilities comprise borrowings, trade payables and other payables. Other financial liabilities are carried at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

Notes continued

For the 52 weeks ended 30 September 2023

1 ACCOUNTING POLICIES CONTINUED

Derivative financial instruments

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 risk arising from the Group's operations and its sources of finance.

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains or losses arising from changes in the fair value of derivatives which are not designated as part of a hedging relationship are presented in the income statement in the period in which they arise.

At the inception of a hedging transaction, the Group documents the economic relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking the hedging transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Amounts that have been recognised in other comprehensive income in respect of cash flow hedges are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flow affects profit or loss.

Finance lease receivables

Finance lease receivables are recognised at an amount equal to the net investment in the lease and subsequently measured at amortised cost less provision for impairment.

Trade receivables and other receivables

Trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

The Group applies the expected credit loss model to calculate any loss allowance for finance lease receivables, trade receivables and other receivables. For finance lease receivables, trade receivables and other receivables that result from transactions that are within the scope of IFRS 15 'Revenue from Contracts with Customers' or from transactions that are within the scope of IFRS 16 'Leases' the loss allowance is measured as the lifetime expected credit loss. As no trade or other receivables contain a significant financing component, for the remaining trade or other receivables the loss allowance is measured as the 12-month expected credit loss unless the credit risk has increased significantly since initial recognition, in which case the lifetime expected credit losses is used. Details of the methodologies used to calculate the expected credit loss for the different groupings of finance lease receivables, trade receivables and other receivables are given in note 25.

The carrying amount of finance lease receivables, trade receivables and other receivables is reduced through the use of an allowance account, and the amount of the loss allowance is recognised in the income statement within other operating charges. The Group's policy is to write off finance lease receivables, trade receivables and other receivables when there is no reasonable expectation of recovery of the balance due. Indicators that there is no reasonable expectation of recovery depend on the type of debtor/customer and include a debt being over four months old, the failure of the debtor to engage in a repayment plan and the failure to recover any amounts through enforcement activity. Subsequent recoveries of amounts previously written off are credited against other operating charges in the income statement.

Notes continued

For the 52 weeks ended 30 September 2023

1 ACCOUNTING POLICIES CONTINUED

Other cash deposits

Cash held on deposit with banks with a maturity of more than three months at the date of acquisition is classified within other cash deposits.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits on call with banks. Any bank overdrafts are shown within borrowings in current liabilities. For the purpose of the cash flow statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

If the basis for determining the contractual cash flows of borrowings measured at amortised cost changes as a result of interest rate benchmark reform, then the effective interest rate of the borrowings is updated to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform when the change is necessary as a direct consequence of the reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

Preference shares are non-redeemable and are classified as liabilities. The dividends on these preference shares are recognised in the income statement as finance costs.

Borrowing costs are recognised as an expense in the period in which they are incurred, except for interest costs incurred on the financing of major projects, which are capitalised until the time that the projects are available for use.

Trade payables and other payables

Trade payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Employee benefits

Pension costs for the Group's defined benefit pension plan are determined by the Projected Unit Credit Method, with actuarial calculations being carried out at each period end date. Costs are recognised in the income statement within net operating expenses and net finance costs/income. The current service cost, past service cost and gains or losses arising from settlements are included within net operating expenses. The net interest on the net defined benefit asset/liability is included within finance income or costs and the administrative expenses paid from plan assets are included within finance costs.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the period in which they occur in the statement of comprehensive income. The return on plan assets, excluding amounts included in the net interest on the net defined benefit asset/liability, is also recognised in other comprehensive income.

The asset/liability recognised in the balance sheet for the defined benefit pension plan is the fair value of plan assets less the present value of the defined benefit obligation. Where the fair value of plan assets exceeds the present value of the defined benefit obligation, the Group recognises an asset at the lower of the fair value of plan assets less the present value of the defined benefit obligation, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The Scheme Rules provide the Group with an unconditional right to a refund of a surplus once the last benefit has been paid to the last scheme member. Based on these rights, any net surplus is recognised in full.

Should contributions payable under a minimum funding requirement not be available as a refund or reduction in future contributions after they are paid into the plan, a liability would be recognised to this extent when the obligation arose.

Pension costs for the Group's defined contribution pension plans are charged to the income statement in the period in which they arise.

Post-retirement medical benefits are accounted for in an identical way to the Group's defined benefit pension plan.

Notes continued

For the 52 weeks ended 30 September 2023

1 ACCOUNTING POLICIES CONTINUED

Key management personnel

Key management personnel are those who have authority and responsibility for planning, directing, and controlling the activities of the Group. In the case of Marston's PLC, the key management personnel are the Directors of the Group and as such the Directors are related parties of the Group.

Current and deferred tax

The current tax charge is calculated on the basis of the tax 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 provided in full, using the liability method, on all differences that have originated but not reversed by the balance sheet date, and which give rise to an obligation to pay more or less tax in the future. Differences are defined as the differences between the carrying value of assets and liabilities and their tax base.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

Deferred tax is calculated using tax rates that are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Provisions

Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

These provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation for which the estimates of future cash flows have not been adjusted.

Share-based payments

The fair value of share-based remuneration at the date of grant is calculated using the Black-Scholes option-pricing model and charged to the income statement on a straight-line basis over the vesting period of the award. The charge to the income statement takes account of the estimated number of shares that will vest.

Non-vesting conditions are considered when determining the fair value of the Group's share-based payments, and all cancellations of share-based payments, whether by the Group or by employees, are accounted for in an identical manner with any costs unrecognised at the date of cancellation being immediately accelerated.

Own shares

Own shares comprise treasury shares, and shares held on trust for employee share schemes, which are used for the issuing of shares to applicable employees. Own shares are recognised at cost as a deduction from shareholders' equity. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to equity. No income or expense is recognised in the performance statements on own share transactions.

Dividends

Dividends proposed by the Board but unpaid at the period end are recognised in the financial statements when they have been approved by the shareholders. Interim dividends are recognised when paid.

Transactions and balance sheet items in a foreign currency

Transactions in a foreign currency are translated to sterling using the exchange rate at the date of the transaction. Monetary receivables and payables are remeasured at closing day rates at each balance sheet date. Exchange gains or losses that arise from such remeasurement and on settlement of the transaction are recognised in the income statement. Translation differences for non-monetary assets valued at fair value through profit or loss are reported as part of the fair value gain or loss. Gains or losses on disposal of non-monetary assets are recognised in the income statement.

Government grants

Government grants are recognised when there is reasonable assurance the grants will be received, and the conditions of the grant will be complied with. Income from government grants is included within other operating income.

Key estimates and significant judgements

Under IFRS the Group is required to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Further details are provided in the relevant accounting policy or detailed note to the financial statements.

Notes continued

For the 52 weeks ended 30 September 2023

1 ACCOUNTING POLICIES CONTINUED

The following are the critical judgements, apart from those involving estimates (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have had the most significant effect on the amounts recognised in the financial statements:

Non-underlying¹ items

- Determination of items to be classified as non-underlying¹ (see accounting policy).

The following estimates and assumptions have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities:

Property, plant, and equipment

- Valuation of effective freehold land and buildings (note 11).

Retirement benefits

- Actuarial assumptions in respect of the defined benefit pension plan, which include discount rates, rates of increase in pensions, inflation rates and life expectancies (note 15).

Financial instruments

- Valuation of derivative financial instruments (note 25).

Interests in associates

- Recoverable amount of the investment in Carlsberg Marston's Limited estimated on a value in use bases (note 12).

2 SEGMENT REPORTING

The Group is considered to have one operating segment under IFRS 8 'Operating Segments' and therefore no disclosures are presented. This is in line with the reporting to the chief operating decision maker and the operational structure of the business. The measure of profit or loss reviewed by the chief operating decision maker is underlying¹ profit/(loss) before tax.

Geographical areas

All of the Group's revenue is generated in the UK. All of the Group's assets are located in the UK.

3 REVENUE AND NET OPERATING EXPENSES

	2023 £m	2022 £m
Revenue		
Outlet sales	832.8	757.2
Wholesale sales	30.2	31.6
Revenue from contracts with customers	863.0	788.8
Rental income	9.3	10.8
Total revenue	872.3	799.6

	2023 £m	2022 £m
Net operating expenses		
Change in stocks of finished goods	(1.8)	0.9
Own work capitalised	(0.4)	(0.8)
Other operating income	(13.1)	(9.6)
Raw materials and consumables	225.7	205.9
Depreciation of property, plant, and equipment	40.5	39.8
Amortisation of intangible assets	5.0	4.4
Employee costs	213.1	214.0
Impairment/(impairment reversal) of freehold and leasehold properties	30.9	(21.9)
Other operating charges	282.2	224.8
Net operating expenses	782.1	657.5

Government grants of £nil (2022: £1.3 million) in respect of COVID-19 assistance from local authorities are included within other operating income. Other operating charges primarily relate to pub overheads and administration costs.

The amounts included in the line items above which have been classified as non-underlying¹ are as follows:

	2023 £m	2022 £m
Employee costs	2.5	–
Impairment/(impairment reversal) of freehold and leasehold properties	30.9	(21.9)
Other operating charges/(income)	1.2	(4.8)
	34.6	(26.7)

Notes continued

For the 52 weeks ended 30 September 2023

3 REVENUE AND NET OPERATING EXPENSES CONTINUED

Fees payable to the Company's Auditor were as follows:

	2023 £m	2022 £m
KPMG LLP fees:		
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	0.4	0.3
Fees payable to the Company's Auditor for other services to the Group:		
The audit of the Company's subsidiaries	0.3	0.3
Audit related assurance services	0.1	0.1
	0.8	0.7

4 NON-UNDERLYING¹ ITEMS

	2023 £m	2022 £m
Non-underlying¹ operating items		
Impairment/(impairment reversal) of freehold and leasehold properties	31.2	(21.6)
Special discretionary pension increase	0.5	–
Reorganisation, restructuring and relocation costs	2.9	–
VAT claims	–	(5.1)
	34.6	(26.7)
Non-underlying¹ non-operating items		
Interest on VAT claims	–	(0.5)
Interest rate swap movements	21.6	(109.2)
Contingent consideration fair value movement	–	0.7
	21.6	(109.0)
Total non-underlying¹ items	56.2	(135.7)

Impairment/(impairment reversal) of freehold and leasehold properties

At 2 July 2023 the Group's effective freehold properties were revalued by independent chartered surveyors on an open market value basis. The Group also undertook an impairment review of its leasehold properties in the current and prior period.

The revaluation and impairment adjustments in respect of the above were recognised in the revaluation reserve or income statement as appropriate.

The amount recognised in the income statement comprises:

	2023 £m	2022 £m
Impairment of property, plant and equipment (note 11)	70.9	48.2
Reversal of past impairment of property, plant, and equipment (note 11)	(40.0)	(69.8)
Impairment of assets held for sale (note 19)	–	0.3
Reversal of past impairment of assets held for sale (note 19)	–	(0.6)
Valuation fees	0.3	0.3
	31.2	(21.6)

Special discretionary pension increase

A past service cost of £0.5 million (2022: £nil) arose in the current period as a result of a one-off, and discretionary, increase to pensions in payment for members of the Marston's PLC Pension and Life Assurance Scheme.

Reorganisation, restructuring and relocation costs

During the current period the Group commenced the implementation of an operational programme to simplify the business and drive efficiencies. The cost of implementing this programme in the current period was £2.9 million (2022: £nil).

VAT claims

The Group submitted claims to HM Revenue & Customs (HMRC) in respect of the VAT treatment of gaming machines from 1 January 2006 to 31 January 2013. Following detailed information gathering to support the claims made the Group recognised the estimated amounts receivable, including interest, in the prior period. The claims were settled by HMRC in the current period.

Interest rate swap movements

The Group's interest rate swaps are revalued to fair value at each balance sheet date. For interest rate swaps which were designated as part of a hedging relationship a loss of £3.0 million (2022: gain of £23.9 million) has been recognised in the hedging reserve in respect of the effective portion of the fair value movement and £2.1 million (2022: £6.2 million) has been reclassified from the hedging reserve to underlying¹ finance costs in the income statement in respect of the cash paid in the period. A loss of £0.6 million (2022: £1.3 million) in respect of the ineffective portion of the fair value movement has been recognised within non-underlying¹ items in the income statement. An amount representing the cash paid of £1.4 million (2022: £1.5 million) has subsequently been transferred from non-underlying¹ items to underlying¹ finance costs to ensure that underlying¹ finance costs reflect the resulting fixed rate paid on the associated debt. As such there is an overall gain of £0.8 million (2022: £0.2 million) recognised within non-underlying¹ items. In addition, £9.3 million (2022: £10.8 million) of the balance remaining in the hedging reserve in respect of discontinued cash flow hedges has been reclassified to the income statement within non-underlying¹ items.

Notes continued

For the 52 weeks ended 30 September 2023

4 NON-UNDERLYING¹ ITEMS CONTINUED

For interest rate swaps which were not designated as part of a hedging relationship a loss of £9.5 million (2022: gain of £111.2 million) in respect of the fair value movement has been recognised within non-underlying¹ items in the income statement. An amount representing the cash received of £3.6 million (2022: cash paid of £8.6 million) has subsequently been transferred from non-underlying¹ items to underlying¹ finance costs to ensure that underlying¹ finance costs reflect the resulting fixed rate paid on the associated debt. As such there is an overall loss of £13.1 million (2022: gain of £119.8 million) recognised within non-underlying¹ items, which is equal to the change in the carrying value of the interest rate swaps in the period.

Contingent consideration fair value movement

The contingent consideration on the disposal of Marston's Beer Company Limited was initially recognised at its fair value at the date of disposal and was subsequently remeasured at its fair value at 2 October 2021 and the date of settlement during the prior period. The movement in fair value was recognised within non-underlying¹ items in the prior period.

Impact of taxation

The current tax charge relating to the above non-underlying¹ items amounts to £nil (2022: £1.4 million). The deferred tax credit relating to the above non-underlying¹ items amounts to £14.9 million (2022: charge of £24.6 million).

5 EMPLOYEES

Employee costs	2023 £m	2022 £m
Wages and salaries	188.0	191.7
Social security costs	15.6	15.5
Pension costs	7.1	6.3
Share-based payments	0.4	0.5
Termination benefits	2.0	–
Employee costs	213.1	214.0

A non-underlying¹ charge of £2.5 million (2022: £nil) was included in employee costs in the current period.

Average monthly number of employees	2023 Number	2022 Number
Bar staff	10,945	10,783
Management, administration and production	1,327	1,370

Key management personnel compensation	2023 £m	2022 £m
Short-term employee benefits	1.7	1.5
Share-based payments	0.1	0.3
	1.8	1.8

Key management personnel have been defined as the Board of Marston's PLC, including the Executive Directors. Members of the Board are set out on pages 56 to 57 of the Annual Report and Accounts 2023. Details of remuneration for Directors, including the highest paid Director, are presented in the Annual Report on Remuneration on pages 79 to 81.

6 FINANCE COSTS AND INCOME

	2023 £m	2022 £m
Finance costs		
Bank borrowings	23.8	12.5
Securitised debt	32.4	35.0
Lease liabilities	19.3	18.9
Other lease related borrowings	22.3	21.3
Other interest payable and similar charges	2.6	4.2
Total finance costs	100.4	91.9

Finance income		
Finance lease and other interest receivable	(1.2)	(0.9)
	(1.2)	(0.9)

Non-underlying¹ finance income		
Interest on VAT claims	–	(0.5)
	–	(0.5)

Total finance income	(1.2)	(1.4)
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Interest rate swap movements		
Hedge ineffectiveness on cash flow hedges (net of cash paid)	(0.8)	(0.2)
Change in carrying value of interest rate swaps	13.1	(119.8)
Transfer of hedging reserve balance in respect of discontinued hedges	9.3	10.8
	21.6	(109.2)

Contingent consideration fair value movement		
Contingent consideration fair value movement	–	0.7
	–	0.7

Net finance costs/(income)	120.8	(18.0)
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Notes continued

For the 52 weeks ended 30 September 2023

7 TAXATION

	2023 £m	2022 £m
Income statement		
Current tax		
Current period	0.1	0.2
Adjustments in respect of prior periods	(0.3)	(0.3)
Charge in respect of tax on non-underlying ¹ items	–	1.4
	(0.2)	1.3
Deferred tax		
Current period	5.5	0.1
Adjustments in respect of prior periods	(1.8)	0.2
(Credit)/charge in respect of tax on non-underlying ¹ items	(14.9)	24.6
	(11.2)	24.9
Taxation (credit)/charge reported in the income statement	(11.4)	26.2
	2023 £m	2022 £m
Statement of comprehensive income		
Remeasurement of retirement benefits	(2.3)	5.8
Impairment and revaluation of properties	2.5	14.7
Hedging reserve movements	2.1	10.2
Taxation charge reported in the statement of comprehensive income	2.3	30.7
The actual tax rate for the period is higher (2022: lower) than the standard rate of corporation tax of 22% (2022: 19%). The differences are explained below:		
	2023 £m	2022 £m
Tax reconciliation		
(Loss)/profit before tax	(20.7)	163.4
(Loss)/profit before tax multiplied by the corporation tax rate of 22% (2022: 19%)	(4.6)	31.0
Effect of:		
Adjustments in respect of prior periods	(2.1)	(0.1)
Change in deferred tax asset not recognised	1.0	(8.5)
Net deferred tax credit in respect of land and buildings	(1.2)	(1.8)
Costs not deductible for tax purposes	0.1	–
Share of income of associate	(2.2)	(0.6)
Other amounts on which tax relief is available	(1.2)	(2.4)
Difference between deferred and current tax rates	(1.2)	8.6
Taxation (credit)/charge	(11.4)	26.2

The March 2021 Budget announced that the main rate of corporation tax would change from 19% to 25% with effect from 1 April 2023. As such the Group's results for the current period have been taxed at an effective rate of 22%. This change was substantively enacted on 24 May 2021. This has increased the Group's current tax charge accordingly. The deferred tax assets and liabilities at 30 September 2023 have been calculated at 25% (2022: 25%).

The Group is within the Pillar Two income taxes legislation, which is effective for financial periods beginning on or after 31 December 2023. The Group is currently assessing the impact of the legislation on its future financial performance and although it does not anticipate that the legislation will have a material impact on the Group's results or financial position, this cannot be confirmed until the assessment has been completed.

8 ORDINARY DIVIDENDS ON EQUITY SHARES

No dividends were paid during the current or prior period. A final dividend for 2023 has not been proposed.

9 EARNINGS PER ORDINARY SHARE

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period, excluding treasury shares and those held on trust for employee share schemes (note 29).

For diluted earnings/(loss) per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the weighted average market price of the Company's shares during the period.

Underlying¹ earnings/(loss) per share figures are presented to exclude the effect of non-underlying¹ items. The Directors consider that the supplementary figures are a useful indicator of performance.

	2023		2022	
	Earnings £m	Per share amount p	Earnings £m	Per share amount p
Basic (loss)/earnings per share	(9.3)	(1.5)	137.2	21.7
Diluted (loss)/earnings per share	(9.3)	(1.5)	137.2	21.4
Underlying¹ earnings per share figures				
Basic underlying ¹ earnings per share	32.0	5.1	27.5	4.3
Diluted underlying ¹ earnings per share	32.0	5.1	27.5	4.3

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For the 52 weeks ended 30 September 2023

9 EARNINGS PER ORDINARY SHARE CONTINUED

	2023 m	2022 m
Basic weighted average number of shares	633.3	633.1
Dilutive potential ordinary shares	–	9.4
Diluted weighted average number of shares	633.3	642.5

In the current period in accordance with IAS 33 'Earnings per Share' the potential ordinary shares were not dilutive as their inclusion would reduce the loss per share.

10 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill of £201.7 million was fully impaired in prior accounting periods and had a net book amount of £nil as at 30 September 2023 and 1 October 2022.

Other intangible assets	Computer software £m
Cost	
At 2 October 2022	50.1
Additions	3.5
Net transfers to assets held for sale and disposals	(2.9)
At 30 September 2023	50.7
Amortisation	
At 2 October 2022	15.0
Charge for the period	5.0
Net transfers to assets held for sale and disposals	(2.2)
At 30 September 2023	17.8
Net book amount at 1 October 2022	35.1
Net book amount at 30 September 2023	32.9

	Computer software £m
Cost	
At 3 October 2021	48.4
Additions	3.5
Net transfers to assets held for sale and disposals	(1.8)
At 1 October 2022	50.1
Amortisation	
At 3 October 2021	12.3
Charge for the period	4.4
Net transfers to assets held for sale and disposals	(1.7)
At 1 October 2022	15.0
Net book amount at 2 October 2021	36.1
Net book amount at 1 October 2022	35.1

Notes continued

For the 52 weeks ended 30 September 2023

11 PROPERTY, PLANT AND EQUIPMENT

	Effective freehold land and buildings £m	Leasehold land and buildings £m	Fixtures, fittings, tools and equipment £m	Total £m		Effective freehold land and buildings £m	Leasehold land and buildings £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation					Cost or valuation				
At 2 October 2022	1,682.4	434.1	284.9	2,401.4	At 3 October 2021	1,530.0	482.9	271.2	2,284.1
Additions	25.5	11.1	28.8	65.4	Additions	34.1	12.8	32.7	79.6
Disposals	(37.2)	(12.4)	(33.8)	(83.4)	Disposals	(5.0)	(12.6)	(18.9)	(36.5)
Transfers between asset classes	(1.6)	1.6	–	–	Transfers between asset classes	49.0	(49.0)	–	–
Net transfers from assets held for sale	0.3	–	0.2	0.5	Net transfers to assets held for sale	(0.8)	–	(0.1)	(0.9)
Revaluation	(24.3)	–	–	(24.3)	Revaluation	75.1	–	–	75.1
At 30 September 2023	1,645.1	434.4	280.1	2,359.6	At 1 October 2022	1,682.4	434.1	284.9	2,401.4
Depreciation					Depreciation				
At 2 October 2022	–	140.7	149.7	290.4	At 3 October 2021	0.1	157.2	142.6	299.9
Charge for the period	–	14.0	26.5	40.5	Charge for the period	–	14.3	25.5	39.8
Disposals	–	(11.6)	(29.5)	(41.1)	Disposals	(0.1)	(12.6)	(18.6)	(31.3)
Net transfers from assets held for sale	–	–	0.1	0.1	Transfers between asset classes	13.0	(13.0)	–	–
Impairment	–	4.5	0.4	4.9	Revaluation and impairment movement	(13.0)	(5.2)	0.2	(18.0)
At 30 September 2023	–	147.6	147.2	294.8	At 1 October 2022	–	140.7	149.7	290.4
Net book amount at 1 October 2022	1,682.4	293.4	135.2	2,111.0	Net book amount at 2 October 2021	1,529.9	325.7	128.6	1,984.2
Net book amount at 30 September 2023	1,645.1	286.8	132.9	2,064.8	Net book amount at 1 October 2022	1,682.4	293.4	135.2	2,111.0

During the prior period the Group purchased the options to buy the freehold of 17 leasehold properties at the end of the lease term for a nominal amount. These properties were transferred to effective freehold land and buildings in line with the Group's accounting policy.

Notes continued

For the 52 weeks ended 30 September 2023

11 PROPERTY, PLANT AND EQUIPMENT CONTINUED

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

	2023 £m	2022 £m
Freehold land and buildings	1,477.2	1,507.7
Leasehold land and buildings with a term greater than 100 years at acquisition/commencement	167.9	174.7
Leasehold land and buildings with a term less than 100 years at acquisition/commencement	286.8	293.4
	1,931.9	1,975.8

If the effective freehold land and buildings had not been revalued, the historical cost net book amount would be £1,149.5 million (2022: £1,183.7 million).

Cost at 30 September 2023 includes £nil (2022: £8.5 million) of assets in the course of construction.

Interest costs of £0.1 million (2022: £0.2 million) were capitalised in the period in respect of the financing of major projects. The capitalisation rate used was 6%.

The net profit on disposal of property, plant and equipment, intangible assets and properties classified as held for sale was £7.9 million (2022: £2.7 million).

Capital expenditure authorised and committed at the period end but not provided for in the financial statements was £1.0 million (2022: £4.2 million).

The net book amount of effective freehold land and buildings held as part of sale and leaseback arrangements that do not fall within the scope of IFRS 16 'Leases' was £251.8 million (2022: £265.3 million).

The disaggregation of land and buildings into assets leased to tenants under operating leases and those held and used by the Group is as follows:

	2023			2022		
Effective freehold land and buildings	Leased to tenants £m	Used by the Group £m	Total £m	Leased to tenants £m	Used by the Group £m	Total £m
Cost or valuation	173.8	1,471.3	1,645.1	201.2	1,481.2	1,682.4
Depreciation	—	—	—	—	—	—
Net book amount	173.8	1,471.3	1,645.1	201.2	1,481.2	1,682.4

	2023			2022		
Leasehold land and buildings	Leased to tenants £m	Used by the Group £m	Total £m	Leased to tenants £m	Used by the Group £m	Total £m
Cost	21.6	412.8	434.4	23.9	410.2	434.1
Depreciation	(8.3)	(139.3)	(147.6)	(8.3)	(132.4)	(140.7)
Net book amount	13.3	273.5	286.8	15.6	277.8	293.4

The services provided to the tenants are considered to be significant to the arrangement as a whole such that the properties do not qualify as investment properties under IAS 40 'Investment Property'.

Revaluation/impairment

At 2 July 2023 independent chartered surveyors revalued the Group's effective freehold properties on an open market value basis. During the current and prior period various assets were also reviewed for impairment and/or material changes in value. These valuation adjustments were recognised in the revaluation reserve or the income statement as appropriate.

	2023 £m	2022 £m
Income statement:		
Impairment	(70.9)	(48.2)
Reversal of past impairment	40.0	69.8
	(30.9)	21.6
Revaluation reserve:		
Unrealised revaluation surplus	95.6	105.8
Reversal of past revaluation surplus	(93.9)	(34.3)
	1.7	71.5
Net (decrease)/increase in shareholders' equity/property, plant and equipment	(29.2)	93.1

Notes continued

For the 52 weeks ended 30 September 2023

11 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Fair value of effective freehold land and buildings

IFRS 13 'Fair Value Measurement' requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs for the asset or liability that are not based on observable market data.

The tables below show the level in the fair value hierarchy into which the fair value measurements of effective freehold land and buildings have been categorised:

	2023			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Recurring fair value measurements				
Effective freehold land and buildings	–	–	1,645.1	1,645.1

	2022			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Recurring fair value measurements				
Effective freehold land and buildings	–	–	1,682.4	1,682.4

There are two inputs to the fair value measurement of the public house assets, being the fair maintainable trade (an unobservable Level 3 input) and the multiple applied (an indirectly observable Level 2 input). It is considered that the unobservable Level 3 input for the fair maintainable trade is a significant input to the valuation and as such Level 3 is considered to be the most appropriate categorisation for these fair value measurements. There were no transfers between categories during the current or prior period.

A reasonably possible increase of 10% in the multiple would increase the fair value by £173.2 million and a reasonably possible decrease of 10% in the multiple would decrease the fair value by £173.2 million. A reasonably possible increase of 4% in the fair maintainable trade would increase the fair value by £69.3 million and a reasonably possible decrease of 4% in the fair maintainable trade would decrease the fair value by £69.3 million. These are based on the top ends of observable multiples achieved in the market and historic movements in the average fair maintainable trade.

The Group's effective freehold land and buildings are revalued by external independent qualified valuers on an annual basis using open market values so that the carrying value of an asset does not differ significantly from its fair value at the balance sheet date. The annual valuations are determined via third-party inspection of approximately a third of the sites, and a desktop valuation of the remaining two-thirds of the sites, such that all sites are individually inspected every three years. The last external valuation of the Group's effective freehold land and buildings was performed as at 2 July 2023. The Group has an internal team of qualified valuers and at each reporting date the estate is reviewed for any indication of significant changes in value. Where this is the case internal valuations are performed on a basis consistent with those performed externally. The Group has concluded that the valuation as at 2 July 2023 does not differ materially from that which would have been determined using fair value as at 30 September 2023.

Level 3 recurring fair value measurements	2023 £m	2022 £m
At beginning of the period	1,682.4	1,529.9
Additions	25.5	34.1
Transfers	(1.6)	36.0
Disposals	(37.2)	(4.9)
Net transfers from/to assets held for sale	0.3	(0.8)
Revaluation gains and losses recognised in profit or loss	(26.0)	16.6
Revaluation gains and losses recognised in other comprehensive income	1.7	71.5
At end of the period	1,645.1	1,682.4

Revaluation gains and losses recognised in profit or loss in respect of Level 3 recurring fair value measurements are included within net operating expenses in the income statement and comprise net unrealised losses of £24.8 million (2022: gains of £16.6 million) and net realised losses of £1.2 million (2022: £nil).

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For the 52 weeks ended 30 September 2023

11 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Impairment testing of leasehold properties

Leasehold properties, comprising leasehold land and buildings and associated fixtures, fittings, tools and equipment and computer software, are held under the cost model. These properties were reviewed for impairment in the current and prior period by comparing the recoverable amount of each property to the carrying amount of the assets. Recoverable amount is the higher of value in use and fair value less costs to sell. The key assumptions used in the value in use calculations were the future trading cash flows of the properties, a pre-tax discount rate of 12.2% (2022: 10.3%) and a long-term growth rate of 1.8% (2022: 1.8%) which is net of a 0.2% adjustment to reflect the potential impact of climate change.

Changes in these key assumptions could impact the impairment charge/reversal recognised for these assets. The future trading cash flows used in the value in use calculations are property level EBITDA less maintenance expenditure forecasts. If the forecast cash flows were to decline by 4% then there would be a £0.2 million increase in the impairment recognised. If the pre-tax discount rate were to increase by 0.5% it would increase the impairment by £0.2 million. If the long-term growth rate were to decrease by 0.5% it would increase the impairment by £0.2 million.

Market capitalisation

Uncertainty and restricted trading during recent financial periods, including COVID-19 and the cost-of-living crisis, have negatively impacted the Group's share price. This share price suppression has resulted in a gap between the Group's market capitalisation and asset values. The Group has performed an assessment to determine whether the asset values are impaired. The impairment review indicated that there was sufficient headroom between the asset values and the enterprise value of the Group. A recoverable amount was also estimated on a value in use basis which was based on a pre-tax discount rate of 9.7% and a long-term growth rate of 1.8% which is net of a 0.2% adjustment to reflect the potential impact of climate change. No reasonably possible change in the assumptions used would have resulted in an impairment.

12 INTERESTS IN ASSOCIATES

The Group holds a 40% interest in Carlsberg Marston's Limited, the sole supplier of drinks to the Group. The principal place of business of Carlsberg Marston's Limited is the UK.

The tables below summarise the financial information of Carlsberg Marston's Limited as included in its own financial statements for the period from 1 October 2022 to 30 September 2023, adjusting for differences in accounting policies. The comparison is for the period from 1 October 2021 to 30 September 2022.

	2023 £m	2022 £m
Non-current assets	290.4	239.3
Current assets	263.8	299.5
Current liabilities	(334.4)	(360.4)
Non-current liabilities	(100.7)	(35.8)
Net assets	119.1	142.6
Group's share of net assets (40%)	47.6	57.0
Goodwill	203.9	203.9
Elimination of unrealised profit on upstream sales	(0.6)	(0.6)
Carrying amount of interest in associate	250.9	260.3
	2023 £m	2022 £m
Revenue	877.2	836.9
Profit from continuing operations	24.7	8.2
Other comprehensive income/(expense)	1.9	(2.0)
Total comprehensive income	26.6	6.2
Group's share of profit from continuing operations (40%)	9.9	3.3
Group's share of other comprehensive income/(expense) (40%)	0.8	(0.8)
Group's share of total comprehensive income	10.7	2.5

Details of related party transactions with Carlsberg Marston's Limited are as follows:

	Transaction amount		Balance outstanding	
	2023 £m	2022 £m	2023 £m	2022 £m
Purchase of goods	(181.5)	(171.7)	(29.4)	(34.3)
Rendering of services	-	1.7	-	-
Settlement of liabilities on behalf of associate	-	121.8	-	(5.9)
Dividends from associate	21.6	19.4	-	-
Receipt of cash on behalf of associate	(1.6)	(249.7)	-	(0.5)

There was a transitional services agreement in place between the Group and Carlsberg Marston's Limited whereby the transactions for Marston's Beer Company Limited continued to be processed through the Group's systems and bank accounts until 29 January 2022.

All outstanding balances are to be settled within six months and are unsecured.

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For the 52 weeks ended 30 September 2023

12 INTERESTS IN ASSOCIATES CONTINUED

Due to the size of the Group's investment in Carlsberg Marston's Limited, and the potential sensitivity of the recoverable amount of the investment to a change in assumptions, an impairment review was undertaken under IAS 36 'Impairment of Assets'. The recoverable amount was estimated on a value in use basis. This was based on forecast cash flows approved by the board of Carlsberg Marston's Limited, a long-term growth rate of 1.8% and a pre-tax discount rate equivalent to 9.2%. The impairment review indicated there was sufficient headroom over the carrying amount of the investment and consequently no impairment has been recognised. A number of different potential downside scenarios were considered and changing each key assumption to the limit of the reasonably possible downside did not result in an impairment. A severe downside scenario which considered a combination of reduced cash flows together with a decrease in growth rate and a large increase in discount rate could lead to a small impairment.

13 OTHER NON-CURRENT ASSETS

	2023 £m	2022 £m
Finance lease receivables	15.0	17.9

Further detail regarding the impairment of finance lease receivables is provided in note 25.

14 DEFERRED TAX

Deferred tax is calculated on temporary differences between tax bases of assets and liabilities and their carrying amounts under the liability method using a tax rate of 25% (2022: 25%). The movement on the deferred tax accounts is shown below:

Net deferred tax (asset)/liability	2023 £m	2022 £m
At beginning of the period	8.0	(47.6)
(Credited)/charged to the income statement	(11.2)	24.9
Charged/(credited) to equity:		
Impairment and revaluation of properties	2.5	14.7
Hedging reserve	2.1	10.2
Retirement benefits	(2.3)	5.8
At end of the period	(0.9)	8.0

Recognised in the balance sheet	2023 £m	2022 £m
Deferred tax liabilities (after offsetting)	–	8.0
Deferred tax assets (after offsetting)	(0.9)	–
	(0.9)	8.0

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12 'Income Taxes') during the period are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

	Pensions £m	Accelerated capital allowances £m	Revaluation of properties £m	Rolled over capital gains £m	Total £m
Deferred tax liabilities					
At 2 October 2022	3.8	45.7	55.9	4.6	110.0
Charged/(credited) to the income statement	–	3.2	(2.8)	(0.2)	0.2
(Credited)/charged to equity	(0.6)	–	2.5	–	1.9
At 30 September 2023	3.2	48.9	55.6	4.4	112.1

	Tax losses £m	Interest rate swaps £m	Other £m	Total £m
Deferred tax assets				
At 2 October 2022	(57.4)	(3.9)	(40.7)	(102.0)
Credited to the income statement	(3.2)	(5.6)	(2.6)	(11.4)
(Credited)/charged to equity	(1.7)	2.1	–	0.4
At 30 September 2023	(62.3)	(7.4)	(43.3)	(113.0)

Net deferred tax (asset)/liability	
At 1 October 2022	8.0
At 30 September 2023	(0.9)

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For the 52 weeks ended 30 September 2023

14 DEFERRED TAX CONTINUED

	Pensions £m	Accelerated capital allowances £m	Revaluation of properties £m	Rolled over capital gains £m	Other £m	Total £m
Deferred tax liabilities						
At 3 October 2021	–	30.6	37.6	7.4	5.0	80.6
Charged/(credited) to the income statement	–	15.1	3.4	(2.8)	(5.0)	10.7
Charged to equity	3.8	–	14.9	–	–	18.7
At 1 October 2022	3.8	45.7	55.9	4.6	–	110.0
Deferred tax assets						
At 3 October 2021		(3.6)	(49.4)	(41.3)	(33.9)	(128.2)
Charged/(credited) to the income statement		1.6	(8.0)	27.2	(6.6)	14.2
Charged/(credited) to equity		2.0	–	10.2	(0.2)	12.0
At 1 October 2022	–	(57.4)	(3.9)	(40.7)	(102.0)	
Net deferred tax liability/(asset)						
At 2 October 2021						(47.6)
At 1 October 2022						8.0

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences where it is probable that these assets will be recovered.

Determining the recoverability of the deferred tax asset in respect of trading items requires judgements to be made about the future profitability of the Group. The Group generated significant tax losses in prior periods due to the impact of COVID-19 on its business operations, including enforced pub closures and restrictions on trading. The base case forecast from the going concern assessment set out in note 1 was used to forecast future taxable profits and allowing for a range of reasonably possible outcomes it is estimated that the deferred tax asset in respect of trading items will be recovered within a period of five years. As such it has been recognised in full.

A deferred tax asset has not been recognised in respect of deductible temporary differences relating to capital losses of £42.9 million (2022: £39.1 million) due to uncertainty over its future recoverability.

15 RETIREMENT BENEFITS

During the period the Group contributed to a funded defined benefit pension plan and a number of defined contribution pension plans. These plans are considered to be related parties of the Group.

Defined contribution plans

Pension costs for defined contribution plans are as follows:

	2023 £m	2022 £m
Defined contribution plans	6.6	6.3

Defined benefit plan

The Marston's PLC Pension and Life Assurance Scheme is a final salary pension plan which provides benefits to members in the form of a guaranteed level of pension payable for life. The plan closed to future accrual on 30 September 2014 and the link to future salary increases was also removed.

The plan operates under the UK regulatory framework and is governed by a board of Trustees composed of plan participants and representatives of the Group. The Trustees make investment decisions and set the required contribution rates based on independent actuarial advice.

The key risks to which the plan exposes the Group are as follows:

Volatility of plan assets

Assets held by the plan are invested in a diversified portfolio of equities, bonds and other assets. Volatility in asset values will lead to movements in the net defined benefit asset/liability reported in the balance sheet as well as movements in the net interest on the net defined benefit asset/liability reported in the income statement.

Changes in bond yields

Corporate bond yields are used to determine the plan's defined benefit obligation. Lower yields will lead to an increased defined benefit obligation. Increases in the defined benefit obligation will be partly offset by an increase in the value of government and corporate bonds held by the plan.

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For the 52 weeks ended 30 September 2023

15 RETIREMENT BENEFITS CONTINUED

Inflation risk

A large proportion of the plan's obligations are linked to inflation. Higher inflation will lead to an increased defined benefit obligation. Increases in the defined benefit obligation will be partly offset by an increase in inflation-linked assets held by the plan.

Changes in life expectancy

An increase in the life expectancy of members will result in benefits being paid out for longer, leading to an increase in the defined benefit obligation.

The movements in the fair value of plan assets and the present value of the defined benefit obligation during the period were:

	Fair value of plan assets		Present value of defined benefit obligation		Net surplus/(deficit)	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
At beginning of the period	374.6	527.8	(359.5)	(542.2)	15.1	(14.4)
Past service cost	–	–	(0.5)	–	(0.5)	–
Interest income/(expense)	19.1	10.4	(18.2)	(10.6)	0.9	(0.2)
Remeasurements:						
Return on plan assets (excluding interest income)	(33.4)	(147.3)	–	–	(33.4)	(147.3)
Effect of changes in financial assumptions	–	–	23.0	181.5	23.0	181.5
Effect of changes in demographic assumptions	–	–	6.6	0.7	6.6	0.7
Effect of experience adjustments	–	–	(5.4)	(11.6)	(5.4)	(11.6)
Cash flows:						
Employer contributions	8.1	7.3	–	–	8.1	7.3
Administrative expenses paid from plan assets	(1.5)	(0.9)	–	–	(1.5)	(0.9)
Benefits paid	(22.2)	(22.7)	22.2	22.7	–	–
At end of the period	344.7	374.6	(331.8)	(359.5)	12.9	15.1

Pension costs recognised in the income statement

A charge of £0.5 million (2022: £nil) comprising the past service cost is included within employee costs, a credit of £0.9 million (2022: charge of £0.2 million) comprising the net interest on the net defined benefit asset/liability is included within finance costs and a charge of £1.5 million (2022: £0.9 million) comprising the administrative expenses paid from plan assets is included within finance costs.

A one-off, and discretionary, increase to pensions in payment for members of the Marston's PLC Pension and Life Assurance Scheme arose in the current period. The resulting additional past service cost of £0.5 million (2022: £nil) was classified as a non-underlying item (note 4).

Recognition of net defined benefit asset

The Group has the ability to recognise a pension surplus from the defined benefit pension plan (measured under IAS 19 'Employee Benefits') in the current period as the Scheme Rules provide the Group with an unconditional right to a refund of a surplus once the last benefit has been paid to the last scheme member.

It is considered that contributions payable under a minimum funding requirement would be available as a refund. As such where the fair value of plan assets exceeds the present value of the defined benefit obligation, the Group recognises an asset at the fair value of plan assets less the present value of the defined benefit obligation.

Pension costs are assessed in accordance with the advice of independent, professionally qualified actuaries. An updated actuarial valuation of the plan was performed by Mercer as at 30 September 2023 for the purposes of IAS 19. The principal assumptions made by the actuaries were:

	2023	2022
Discount rate	5.6%	5.2%
Rate of increase in pensions – 5% LPI	3.0%	3.2%
Rate of increase in pensions – 2.5% LPI	2.0%	2.1%
Inflation assumption (RPI)	3.2%	3.5%
Inflation assumption (CPI)	2.5%	2.8%
Employed deferred revaluation	2.5%	2.8%
Life expectancy for deferred members from age 65 (years)		
Male	22.4	22.7
Female	25.0	25.4
Life expectancy for current non-insured pensioners from age 65 (years)		
Male	20.4	20.9
Female	23.0	23.6
Life expectancy for current insured pensioners from age 65 (years)		
Male	21.3	21.6
Female	23.4	24.0

Notes continued

For the 52 weeks ended 30 September 2023

15 RETIREMENT BENEFITS CONTINUED

Following the September 2022 Mini Budget, a period of market volatility in the weeks preceding the prior period balance sheet date was observed, particularly in the UK bond/gilt markets. All assumptions made within the actuarial valuation of the plan took into consideration market conditions as at 1 October 2022. To counteract the high levels of inflation and fall in the value of sterling following the September 2022 Mini Budget, the Bank of England signalled future increases in interest rates. This expectation of future increases in interest rates led to significant falls in the value of fixed interest investments (such as gilts and corporate bonds) with corresponding increases in yields. The Marston's PLC Pension and Life Assurance Scheme uses Liability Driven Investment strategies (LDIs) which use a combination of gilts, cash and derivatives to hedge long-term interest and inflation risks. The pension plan met collateral calls required for the LDI investments through a number of disinvestments. The hedge ratios remained in line with the target.

There is no explicit adjustment to allow for the impact of COVID-19 in the mortality assumptions, however the mortality assumptions have been updated to include the latest projections of improvements in life expectancy which include a weighting applied to recent mortality experience.

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions is:

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease obligation by 5.2%	Increase obligation by 5.7%
Inflation assumption	0.25%	Increase obligation by 1.8%	Decrease obligation by 1.8%
Life expectancy	One year	Increase obligation by 3.2%	Decrease obligation by 3.1%

The above sensitivity analyses have been determined by changing one assumption while holding all other assumptions constant. The calculations are approximate in nature and full detailed calculations could lead to a different result. In practice, interrelationships exist between the assumptions, particularly between the discount rate and price inflation. The stand-alone sensitivity analyses noted above do not consider the effect of these interrelationships. Any movements in obligations arising from assumption changes are likely to be accompanied by movements in asset values, and so the impact on the net defined benefit asset/liability may be different to the impact on the obligation calculated by the sensitivity analysis.

When calculating the above sensitivities the same method has been applied as when calculating the net defined benefit asset/liability in the balance sheet i.e., the present value of the defined benefit obligation calculated using the Projected Unit Credit Method.

	2023 £m	2022 £m
Plan assets		
Equities	3.4	45.9
Bonds/Gilts	125.5	92.3
Cash/Pooled investments	56.1	62.2
Buy-in policies (matching annuities)	159.7	174.2
	344.7	374.6

The Group's balance sheet date of 30 September 2023 is a Saturday and, accordingly, the fair value of plan assets have been calculated as at 29 September 2023. There were no significant transactions between the respective reporting dates.

The plan holds £148.6 million of quoted assets in the nature of equities, bonds, gilts and pooled investments which are traded in active markets with BlackRock, Insight and Ruffer. The plan also holds £31.0 million of unquoted assets in the nature of bonds, gilts and pooled investments with M&G and Ruffer which are valued using inputs that reflect the assumptions that market participants would use in pricing the asset based on market data from independent sources.

The plan includes qualifying insurance policies which are valued using the Group's own assessment of the assumptions market participants would use in pricing the asset, based on the best information available. The proceeds of the policies can only be used to pay or fund employee benefits of the Scheme, are not available to the Group's creditors and cannot be paid to the Group.

The Scheme assets do not include any property, plant or equipment occupied by, or used by, the Group.

The actual return on plan assets was a loss of £14.3 million (2022: £136.9 million). A proportion of the defined benefit obligation has been secured by buy-in policies and as such this proportion of liabilities is matched by annuities. The Trustees of the plan hold a range of assets and are aiming to better align the cash flows from these to those of the plan. They are also working with the Group to de-risk their portfolio further.

Following further improvement in the funding position of the plan, and further rises in long term gilt yields, the Trustees took the decision to fully disinvest from the remaining direct equity allocation and increase the level of interest rate and inflation hedging. This transition took place at the end of August 2023.

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For the 52 weeks ended 30 September 2023

15 RETIREMENT BENEFITS CONTINUED

The Group is aiming to eliminate the plan's funding deficit in the medium term. A schedule of contributions was agreed as part of the 30 September 2020 triennial valuation and contributions of £0.5 million per month are payable until 30 November 2025. Contributions are also payable in respect of the plan's expenses. The next triennial valuation will be performed as at 30 September 2023.

The employer contributions expected to be paid during the financial period ending 28 September 2024 amount to £7.6 million.

The weighted average duration of the defined benefit obligation is 11 years (2022: 12 years).

Post-retirement medical benefits

A gain of £nil (2022: £nil) in respect of the remeasurement of post-retirement medical benefits has been included in the statement of comprehensive income.

16 DERIVATIVE FINANCIAL INSTRUMENTS

	2023 £m	2022 £m
Interest rate swaps		
Non-current assets	2.7	1.8
Current assets	1.1	3.3
Non-current liabilities	(37.4)	(25.5)
	(33.6)	(20.4)

Details of the Group's interest rate swaps are provided in note 25.

17 INVENTORIES

	2023 £m	2022 £m
Raw materials and consumables	4.3	3.8
Finished goods	10.6	8.8
	14.9	12.6

18 TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
Trade receivables	12.2	11.2
Prepayments and accrued income	9.3	15.6
Finance lease receivables	1.7	1.8
Other receivables	3.7	1.5
	26.9	30.1

Further detail regarding the impairment of trade receivables, finance lease receivables and other receivables is provided in note 25. All of the Group's trade receivables are denominated in pounds sterling.

At 30 September 2023 the value of collateral held in the form of cash deposits was £5.6 million (2022: £5.6 million).

19 ASSETS HELD FOR SALE

	2023 £m	2022 £m
Properties	1.4	4.8

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', properties categorised as held for sale have been written down to their fair value less costs to sell if this was below their carrying amount. This is a non-recurring fair value measurement falling within Level 2 of the fair value hierarchy. These Level 2 fair values have been obtained using a market approach and are derived from sales prices in recent transactions involving comparable properties.

During the current and prior period, all properties classified as held for sale were reviewed for impairment or reversal of past impairment. This review identified an impairment of £nil (2022: £0.3 million) and a reversal of past impairment of £nil (2022: £0.6 million) which have been recognised in the income statement.

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For the 52 weeks ended 30 September 2023

20 BORROWINGS

	2023 £m	2022 £m
Current		
Bank borrowings	(2.6)	(0.7)
Securitised debt	41.1	39.0
Lease liabilities	17.8	11.2
Other lease related borrowings	(0.4)	(0.4)
Other borrowings	10.0	15.0
	65.9	64.1
Non-current		
Bank borrowings	228.2	214.6
Securitised debt	560.2	601.3
Lease liabilities	362.6	366.6
Other lease related borrowings	338.4	338.0
Other borrowings	40.0	40.0
Preference shares	0.1	0.1
	1,529.5	1,560.6

Bank borrowings are secured by a floating charge over certain of the Group's properties and other assets.

Other lease related borrowings represent amounts due under sale and leaseback arrangements that do not fall within the scope of IFRS 16 'Leases'. The Group has an option to repurchase each leased property for a nominal amount at the end of the lease. The leases have terms of 35 to 40 years and rents which are linked to RPI, subject to a cap and collar.

The Group has 75,000 (2022: 75,000) preference shares of £1 each in issue at the balance sheet date. The preference shares carry the right to a fixed cumulative preferential dividend at the rate of 6% per annum (they are also entitled to a non-cumulative dividend of 1% per annum provided that dividends of not less than £24,000 have been paid on the ordinary shares in that year). They participate in the event of a winding-up and on a return of capital and carry the right to attend and vote at general meetings of the Company, carrying four votes per share.

All of the Group's borrowings are denominated in pounds sterling. In respect of the Liquidity covenant associated with the Group's £40 million private placement borrowings for the fiscal month ending on or about 31 October 2022, there was a technical default, for which waivers were secured. There were no instances of default, including covenant terms in the prior period. The Group obtained certain covenant waivers from its lenders in the prior period as a result of the COVID-19 outbreak.

Maturity of borrowings

The maturity profile of the carrying amount of the Group's borrowings at the period end was as follows:

	2023			2022		
	Gross borrowings £m	Unamortised issue costs £m	Net borrowings £m	Gross borrowings £m	Unamortised issue costs £m	Net borrowings £m
Due:						
Within one year	69.3	(3.4)	65.9	65.6	(1.5)	64.1
In more than one year but less than two years	323.2	(1.6)	321.6	266.8	(1.2)	265.6
In more than two years but less than five years	180.8	(2.7)	178.1	211.8	(2.7)	209.1
In more than five years	1,051.7	(21.9)	1,029.8	1,108.6	(22.7)	1,085.9
	1,625.0	(29.6)	1,595.4	1,652.8	(28.1)	1,624.7

Fair value of borrowings

The carrying amount and the fair value of the Group's borrowings are as follows:

	Carrying amount		Fair value	
	2023 £m	2022 £m	2023 £m	2022 £m
Bank borrowings	229.0	215.0	229.0	215.0
Securitised debt	603.8	643.2	520.8	556.7
Lease liabilities	380.4	377.8	380.4	377.8
Other lease related borrowings	361.7	361.7	361.7	361.7
Other borrowings	50.0	55.0	50.0	55.0
Preference shares	0.1	0.1	0.1	0.1
	1,625.0	1,652.8	1,542.0	1,566.3

Notes continued

For the 52 weeks ended 30 September 2023

20 BORROWINGS CONTINUED

The fair value of the Group's securitised debt is based on quoted market prices and is within Level 1 of the fair value hierarchy. The fair values of all of the Group's other borrowings approximate to their carrying amounts and are within Level 2 of the fair value hierarchy.

During the current period the Group successfully secured a non-substantial modification of its bank and private placement debt facilities with an amendment and extension to 2025.

The Group's sources of funding include its securitised debt, a £300.0 million bank facility available until 2025, of which £229.0 million was drawn at 30 September 2023, a £40.0 million private placement in place until 2025, and a £5.0 million seasonal overdraft facility which extends to £20.0 million between the months of January and May.

21 SECURITISED DEBT

On 9 August 2005 £805.0 million of secured loan notes were issued in connection with the securitisation of 1,592 of the Group's pubs held in Marston's Pubs Limited. On 22 November 2007, a further £330.0 million of secured loan notes (tranches A4 and A81) were issued in connection with the securitisation of an additional 437 of the Group's pubs, also held in Marston's Pubs Limited. The loan notes are secured over the properties and their future income streams and were issued by Marston's Issuer PLC, a special purpose entity. On 15 January 2014 all of the A81 notes were repurchased by the Group at par and immediately cancelled.

The carrying value of the securitised pubs at 30 September 2023 was £1,166.6 million (2022: £1,166.7 million).

The securitisation is governed by various covenants, warranties and events of default, many of which apply to Marston's Pubs Limited. These include covenants regarding the maintenance and disposal of securitised properties and restrictions on the ability to move cash to other companies within the Group. The Group had in place certain covenant waivers from its bondholders in the prior period as a result of the COVID-19 outbreak.

The tranches of securitised debt have the following principal terms:

Tranche	2023 £m	2022 £m	Interest	Principal repayment period – by instalments	Expected average life	Expected maturity date
A2	129.2	157.3	Fixed/floating	2023 to 2027	4 years	2027
A3	200.0	200.0	Fixed/floating	2027 to 2032	9 years	2032
A4	119.6	130.9	Floating	2023 to 2031	8 years	2031
B	155.0	155.0	Fixed/floating	2032 to 2035	12 years	2035
	603.8	643.2				

The interest payable on each tranche is as follows:

Tranche	Before step up	After step up	Step up date
A2	5.1576%	SONIA + 0.1193% + 1.32%	July 2019
A3	5.1774%	SONIA + 0.1193% + 1.45%	April 2027
A4	3-month LIBOR + 0.65%	SONIA + 0.1193% + 1.625%	October 2012
B	5.6410%	SONIA + 0.1193% + 2.55%	July 2019

The Group agreed with its bondholders to replace 3-month LIBOR with the compounded Sterling Overnight Index Average (SONIA) plus 0.1193% after the discontinuance of LIBOR.

All floating rate notes are economically hedged in full by the Group using interest rate swaps whereby all interest payments are swapped to fixed interest payable.

At 30 September 2023 Marston's Pubs Limited held cash of £20.0 million (2022: £21.0 million), which was governed by certain restrictions under the covenants associated with the securitisation. In addition, Marston's Issuer PLC held cash of £0.1 million (2022: £0.1 million).

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22 TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Trade payables	66.3	95.5
Other taxes and social security	25.6	25.1
Accruals and deferred income	65.6	71.3
Other payables	12.9	12.5
	170.4	204.4

23 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	2023 £m	2022 £m
Property leases		
At beginning of the period	4.3	11.1
Released in the period	(0.7)	(7.0)
Provided in the period	0.8	0.9
Unwinding of discount	0.2	0.1
Utilised in the period	(0.6)	(0.8)
At end of the period	4.0	4.3

	2023 £m	2022 £m
Recognised in the balance sheet		
Current liabilities	1.4	1.0
Non-current liabilities	2.6	3.3
	4.0	4.3

Payments are expected to continue for periods of 1 to 46 years (2022: 1 to 47 years). There is not considered to be any significant uncertainty regarding the amount and timing of these payments.

24 OTHER NON-CURRENT LIABILITIES

	2023 £m	2022 £m
Other liabilities	7.1	6.5

25 FINANCIAL INSTRUMENTS

Financial instruments by category

	Assets at fair value through profit or loss £m	Assets at amortised cost £m	Total £m
At 30 September 2023			
Assets as per the balance sheet			
Derivative financial instruments	3.8	–	3.8
Finance lease receivables (before provision)	–	18.8	18.8
Trade receivables (before provision)	–	12.7	12.7
Other receivables (before provision)	–	4.8	4.8
Other cash deposits	–	3.1	3.1
Cash and cash equivalents	–	26.5	26.5
	3.8	65.9	69.7

	Derivatives used for hedging £m	Liabilities at fair value through profit or loss £m	Other financial liabilities £m	Total £m
At 30 September 2023				
Liabilities as per the balance sheet				
Derivative financial instruments	5.4	32.0	–	37.4
Borrowings	–	–	1,595.4	1,595.4
Trade payables	–	–	66.3	66.3
Other payables	–	–	12.9	12.9
	5.4	32.0	1,674.6	1,712.0

Notes continued

For the 52 weeks ended 30 September 2023

25 FINANCIAL INSTRUMENTS CONTINUED

	Assets at fair value through profit or loss £m	Assets at amortised cost £m	Total £m
At 1 October 2022			
Assets as per the balance sheet			
Derivative financial instruments	5.1	–	5.1
Finance lease receivables (before provision)	–	23.5	23.5
Trade receivables (before provision)	–	11.9	11.9
Other receivables (before provision)	–	2.8	2.8
Other cash deposits	–	3.0	3.0
Cash and cash equivalents	–	27.7	27.7
	5.1	68.9	74.0

	Derivatives used for hedging £m	Liabilities at fair value through profit or loss £m	Other financial liabilities £m	Total £m
At 1 October 2022				
Liabilities as per the balance sheet				
Derivative financial instruments	5.3	20.2	–	25.5
Borrowings	–	–	1,624.7	1,624.7
Trade payables	–	–	95.5	95.5
Other payables	–	–	12.5	12.5
	5.3	20.2	1,732.7	1,758.2

Fair values of financial instruments

The only financial instruments which the Group holds at fair value are derivative financial instruments, which are classified as at fair value through profit or loss or derivatives used for hedging.

IFRS 13 'Fair Value Measurement' requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs for the asset or liability that are not based on observable market data.

The tables below show the level in the fair value hierarchy into which fair value measurements have been categorised:

	2023			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Assets as per the balance sheet				
Derivative financial instruments	–	3.8	–	3.8
	2023			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Liabilities as per the balance sheet				
Derivative financial instruments	–	37.4	–	37.4
	2022			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Assets as per the balance sheet				
Derivative financial instruments	–	5.1	–	5.1
	2022			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Liabilities as per the balance sheet				
Derivative financial instruments	–	25.5	–	25.5

There were no transfers between Levels 1, 2 and 3 fair value measurements during the current or prior period.

The Level 2 fair values of derivative financial instruments have been obtained using a market approach and reflect the estimated amount the Group would expect to pay or receive on termination of the instruments, adjusted for the Group's own credit risk. The Group utilises valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date. The fair values are highly sensitive to the inputs to the valuations, such as discount rates, analysis of credit risk and yield curves.

The fair values of all the Group's other financial instruments are equal to their book values, with the exception of borrowings (note 20). The carrying amount less impairment provision of finance lease receivables, trade receivables and other receivables, and the carrying amount of other cash deposits, cash and cash equivalents, trade payables and other payables, are assumed to approximate their fair values.

Notes continued

For the 52 weeks ended 30 September 2023

25 FINANCIAL INSTRUMENTS CONTINUED

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign currency risk), counterparty risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department under policies approved by the Board. The treasury department identifies, evaluates and hedges financial risks. The Board sets principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, investment of excess liquidity and use of derivative and non-derivative financial instruments.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates, and as such the Group's interest rate risk arises from its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing, and hedging. Based on these scenarios, the Group calculates the impact on the income statement of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises borrowings at floating rates and will often swap them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract and floating rate interest amounts calculated by reference to the agreed notional amounts.

If interest rates had been 0.5% higher/lower during the period ended 30 September 2023, with all other variables held constant, the post-tax profit for the period would have been £0.6 million (2022: £0.7 million) lower/higher as a result of higher/lower interest expense.

Interest rate swaps designated as part of a hedging relationship

The Group uses interest rate swaps to fix the interest rate payable on the floating rate tranches of its securitised debt. The interest rate swap in respect of the A4 tranche of securitised debt was designated as part of a hedging relationship in the current and prior period.

This interest rate swap has the same critical terms as the associated securitised debt including reset dates, payment dates, maturities and notional amounts (note 21). The economic relationship between the forecast floating rate interest payments and the interest rate swap is determined and assessed through quantitative hedge effectiveness calculations performed at each reporting date, and upon a significant change in the circumstances affecting the hedge effectiveness requirements. As the interest rate swap has a notional amount profile the same as that of the principal amount profile of the securitised debt on which the floating rate interest is paid the hedge ratio is 1:1. Sources of ineffectiveness that might affect the hedging relationship are the Group's own credit risk, changes in the timing and amount of the interest payments and the recouping of the swap from a single fixed rate to a stepped profile.

The fixed rate of this interest rate swap at 30 September 2023 was 6.0% (2022: 6.0%).

Interest rate swaps designated as part of a hedging relationship	2023 £m	2022 £m
Carrying amount of hedging instruments (included within derivative financial instruments)	5.4	5.3
Change in fair value of hedging instruments used as the basis for recognising hedge ineffectiveness in the period	3.6	(22.6)
Nominal amount of hedging instruments	119.6	130.9
Change in fair value of hedged items used as the basis for recognising hedge ineffectiveness in the period	(3.0)	23.9
Hedging reserve balance in respect of continuing hedges	(1.0)	(0.3)
Hedging reserve balance in respect of discontinued hedges	(43.4)	(50.4)
Hedging (losses)/gains recognised in other comprehensive income	(3.0)	23.9
Hedge ineffectiveness losses recognised in profit or loss	(0.6)	(1.3)
Amount reclassified from the hedging reserve to profit or loss in respect of continuing hedges	2.1	6.2
Amount reclassified from the hedging reserve to profit or loss in respect of discontinued hedges	9.3	10.8

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25 FINANCIAL INSTRUMENTS CONTINUED

	2023 £m	2022 £m
Hedging reserve		
At beginning of the period	(50.7)	(81.4)
Hedging (losses)/gains recognised in other comprehensive income	(3.0)	23.9
Amount reclassified from the hedging reserve to profit or loss	11.4	17.0
Deferred tax on hedging reserve movements	(2.1)	(10.2)
At end of the period	(44.4)	(50.7)

Interest rate swaps not designated as part of a hedging relationship

On 22 March 2012 the Group entered into a forward starting interest rate swaps of £60.0 million to fix the interest rate payable on the Group's bank borrowings. The final termination date of the swap is 30 June 2031 and it fixes interest at 4.0%. This swap has an early termination date of 28 March 2024.

On 30 October 2017 the Group entered into a forward starting interest rate swap of £60.0 million to fix the interest rate payable on the Group's bank borrowings. This interest rate swap was due to fix interest at 2.2% and commence on 30 April 2025. During the current period, the commencement date was brought forward to 30 October 2022 and the rate at which interest is fixed was increased to 3.5%. There is an early termination date of 1 November 2027. The final termination date is 30 April 2029.

On 27 March 2019 the Group recouped the interest rate swap that fixes the interest rate payable on the floating rate elements of its A2, A3 and B securitised notes. As a result, the hedging relationship between this interest rate swap and the associated debt ceased to meet the qualifying criteria for hedge accounting. The cumulative hedging loss existing in equity at 27 March 2019 remained in equity and is being recognised when the forecast transactions are ultimately recognised in the income statement. Fair value movements in respect of this interest rate swap after 27 March 2019 are being recognised within the income statement.

The interest rate risk profile, after taking account of derivative financial instruments, is as follows:

	2023			2022		
	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m
Borrowings	480.7	1,144.3	1,625.0	531.7	1,121.1	1,652.8

The weighted average interest rate of the fixed rate borrowings was 5.1% (2022: 5.2%) and the weighted average period for which the rate is fixed was 13 years (2022: 14 years).

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks has been undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform').

In the prior period the Group transitioned its borrowings and interest rate swaps (which were indexed to LIBOR) to Sterling Overnight Index Average (SONIA) rates with a credit spread. The Group applies the amendments to IFRS 9 'Financial Instruments' to those financial instruments and hedging relationships directly affected by IBOR reform. The Group accounted for the change to SONIA using the practical expedient introduced by the Interest Rate Benchmark Reform Phase 2 amendments, which allows the Group to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

Foreign currency risk

The Group buys and sells goods denominated in non-sterling currencies, principally US dollars and euros. As a result, movements in exchange rates can affect the value of the Group's income and expenditure. The Group's exposure in this area is not considered to be significant.

Counterparty risk

The Group's counterparty risk in respect of its cash and cash equivalents and other cash deposits is mitigated by the use of various banking institutions for its deposits. There is no significant concentration of counterparty risk in respect of the Group's pension assets, as these are held with a range of institutions.

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For the 52 weeks ended 30 September 2023

25 FINANCIAL INSTRUMENTS CONTINUED

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from credit exposure to customers, including outstanding receivables and committed transactions. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, an assessment is made of the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of and adherence to credit limits is regularly monitored.

The financial assets of the Group which are subject to the expected credit loss model under IFRS 9 'Financial Instruments' comprise finance lease receivables, trade receivables and other receivables. Other cash deposits and cash and cash equivalents are also subject to the impairment requirements of IFRS 9 however the impairment loss is immaterial.

Finance lease receivables, trade receivables and other receivables have been grouped as set out below for the purpose of calculating the expected credit losses:

	Gross		Loss allowance	
	2023 £m	2022 £m	2023 £m	2022 £m
Finance lease receivables				
Net investment in the lease	18.8	23.5	2.1	3.8
	18.8	23.5	2.1	3.8
Trade receivables				
Amounts due from current pub tenants	1.7	2.7	0.2	0.4
Miscellaneous trade receivables	11.0	9.2	0.3	0.3
	12.7	11.9	0.5	0.7
Other receivables				
Amounts due from previous pub tenants	0.9	1.1	0.9	1.1
Amounts due from other property tenants	0.5	0.7	0.1	0.1
Miscellaneous other receivables	3.4	1.0	0.1	0.1
	4.8	2.8	1.1	1.3
	36.3	38.2	3.7	5.8

Expected credit losses have been calculated as follows:

	Gross		Loss allowance	
	2023 £m	2022 £m	2023 £m	2022 £m
12-month expected credit losses	3.4	1.0	0.1	0.1
Lifetime expected credit losses for trade and lease receivables	32.9	37.2	3.6	5.7
	36.3	38.2	3.7	5.8

Finance lease receivables

Finance lease receivables are lease receivables that result from transactions that are within the scope of IFRS 16 'Leases' and the loss allowance is calculated as the lifetime expected credit losses. For tenants where it is considered that there is a significant risk of default the expected credit losses are calculated on an individual basis taking into account the circumstances involved. For all other tenants, after accounting for collateral held in the form of cash deposits and the value of the leased asset itself, the remaining balance due is low and as such the expected credit losses are minimal.

Amounts due from pub tenants

Amounts due from current pub tenants result almost entirely from transactions that are within the scope of IFRS 15 'Revenue from Contracts with Customers' or are lease receivables that result from transactions that are within the scope of IFRS 16, and as such the loss allowance is calculated as the lifetime expected credit losses. After accounting for collateral held in the form of cash deposits the remaining balance due is low and as such the expected credit losses are minimal.

Amounts due from previous pub tenants predominantly result from transactions that are within the scope of IFRS 15 or are lease receivables that result from transactions that are within the scope of IFRS 16 and as such the loss allowance is calculated as the lifetime expected credit losses. The historical loss rate on closed accounts, adjusted to reflect current and forward-looking information regarding macroeconomic factors affecting customers' ability to pay, such as the cost-of-living crisis, is used to measure the expected credit losses on these receivables.

Notes continued

For the 52 weeks ended 30 September 2023

25 FINANCIAL INSTRUMENTS CONTINUED

Miscellaneous trade receivables

Miscellaneous trade receivables result almost entirely from transactions that are within the scope of IFRS 15 and as such the loss allowance is calculated as the lifetime expected credit losses. Due to the very low credit risk on the majority of these receivables the expected credit losses are minimal.

Amounts due from other property tenants

Amounts due from other property tenants are almost entirely lease receivables that result from transactions that are within the scope of IFRS 16 and as such the loss allowance is calculated as the lifetime expected credit losses. For tenants where it is considered that there is a significant risk of default the expected credit losses are calculated on an individual basis taking into account the circumstances involved. For all other tenants, after accounting for collateral held in the form of cash deposits, the remaining balance due is low and as such the expected credit losses are minimal.

Miscellaneous other receivables

Miscellaneous other receivables do not generally result from transactions that are within the scope of IFRS 15 and do not comprise lease receivables resulting from transactions that are within the scope of IFRS 16. These receivables are considered to have low credit risk and as such the loss allowance is calculated as the 12-month expected credit losses. Receivables are considered to have low credit risk where there is a low risk of default and it is expected that the debtor will be able to meet its payment obligations in the near future.

The movements in the loss allowances for finance lease receivables, trade receivables and other receivables are as follows:

	2023 £m	2022 £m
Finance lease receivables		
At beginning of the period	3.8	3.9
Net (decrease)/increase in loss allowance recognised in profit or loss	(1.1)	0.1
Amounts written off as uncollectible	(0.6)	(0.2)
At end of the period	2.1	3.8
Trade receivables		
At beginning of the period	0.7	0.8
Net decrease in loss allowance recognised in profit or loss	(0.1)	(0.1)
Amounts written off as uncollectible	(0.1)	–
At end of the period	0.5	0.7

	12-month expected credit losses		Lifetime expected credit losses	
	2023 £m	2022 £m	2023 £m	2022 £m
Other receivables				
At beginning of the period	0.1	0.1	1.2	8.3
Net increase in loss allowance recognised in profit or loss	–	–	0.2	0.1
Amounts written off as uncollectible	–	–	(0.4)	(7.2)
At end of the period	0.1	0.1	1.0	1.2

The Group has no significant concentration of credit risk in respect of its customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

Liquidity risk

The Group applies a prudent liquidity risk management policy, which involves maintaining sufficient cash, ensuring the availability of funding through an adequate amount of committed credit facilities and having the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group maintains the availability of committed credit lines to ensure that it has flexibility in funding.

Management monitor rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flow. In addition, the Group's liquidity management policy involves maintaining debt financing plans, projecting cash flows and considering the level of liquid assets necessary to meet these, and monitoring balance sheet liquidity ratios against internal and external regulatory requirements. The Group's borrowing covenants are subject to regular review.

The tables below analyse the Group's financial liabilities and non-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

Notes continued

For the 52 weeks ended 30 September 2023

25 FINANCIAL INSTRUMENTS CONTINUED

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
At 30 September 2023					
Borrowings	179.2	405.8	379.6	1,835.0	2,799.6
Derivative financial instruments	(7.2)	(0.2)	7.4	75.0	75.0
Trade payables	66.3	–	–	–	66.3
Other payables	12.9	–	–	–	12.9
	251.2	405.6	387.0	1,910.0	2,953.8

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
At 1 October 2022					
Borrowings	163.6	357.0	420.7	1,917.3	2,858.6
Derivative financial instruments	(9.4)	(7.7)	2.8	84.4	70.1
Trade payables	95.5	–	–	–	95.5
Other payables	12.5	–	–	–	12.5
	262.2	349.3	423.5	2,001.7	3,036.7

26 SUBSIDIARY UNDERTAKINGS

Details of the Group's subsidiary undertakings are provided in note 6 to the Company financial statements.

27 SHARE-BASED PAYMENTS

During the period there were three classes of equity-settled employee share incentive plans outstanding:

- (a) Save As You Earn (SAYE). Under this scheme employees enter into a savings contract for a period of three to five years and options are granted on commencement of the contract, exercisable using the amount saved under the contract at the time it terminates. Options under the scheme are granted at a discount to the average quoted market price of the Company's shares at the time of the invitation and are not subject to performance conditions. Exercise of options is subject to continued employment.
- (b) Deferred bonus. Under this scheme nil cost options are granted to eligible employees in lieu of a cash bonus. Exercise of options is subject to a period of continued employment and required no later than the tenth anniversary of the date of grant.
- (c) Long Term Incentive Plan (LTIP). Under this scheme nil cost options are granted that will only vest provided the participant satisfies the minimum shareholding requirement and performance conditions relating to earnings per share, cash flow, return on capital, profit before tax and relative total shareholder return are met. LTIP options are exercisable no later than the tenth anniversary of the date of grant.

In 2010, HM Revenue & Customs (HMRC) approved an Approved Performance Share Plan (APSP) to enable participants in the LTIP to benefit from UK tax efficiencies. As such, awards made in 2010 and subsequent years may comprise an HMRC approved option (in respect of the first £30,000 worth of an award) and an unapproved LTIP award for amounts in excess of this HMRC limit. A further share award (a linked award) is also provided to enable participants to fund the exercise of the approved option. This linked award is satisfied by way of shares held on trust, but these additional shares are not generally delivered to the participant. Under these rules the LTIP options are still issued at nil cost to the employee.

The tables below summarise the outstanding share options:

	Number of shares		Weighted average exercise price	
	2023 m	2022 m	2023 p	2022 p
SAYE:				
Outstanding at beginning of the period	7.9	1.5	46.7	92.4
Granted	10.4	7.6	26.0	44.0
Expired	(5.4)	(1.2)	46.9	85.3
Outstanding at end of the period	12.7	7.9	29.6	46.7
Exercisable at end of the period	–	0.4	96.0	97.2
Range of exercise prices	26.0p to 96.0p	44.0p to 110.0p		
Weighted average remaining contractual life (years)	3.2	3.3		

	Number of shares		Weighted average exercise price	
	2023 m	2022 m	2023 p	2022 p
Deferred bonus:				
Outstanding at beginning of the period	0.3	0.4	–	–
Exercised	–	(0.1)	–	–
Outstanding at end of the period	0.3	0.3	–	–
Exercisable at end of the period	–	–	–	–

	Number of shares		Weighted average exercise price	
	2023 m	2022 m	2023 p	2022 p
LTIP:				
Outstanding at beginning of the period	9.2	7.6	–	–
Granted	10.3	4.6	–	–
Exercised	(0.2)	(0.1)	–	–
Expired	(2.4)	(2.9)	–	–
Outstanding at end of the period	16.9	9.2	–	–
Exercisable at end of the period	–	–	–	–

Notes continued

For the 52 weeks ended 30 September 2023

27 SHARE-BASED PAYMENTS CONTINUED

The fair values of the SAYE, deferred bonus and LTIP rights are calculated at the date of grant using the Black-Scholes option-pricing model. The significant inputs into the model for all schemes unless otherwise stated were:

	2023	2022
Dividend yield %	1.9 to 4.7	2.1 to 2.2
Expected volatility %	40.4 to 48.1	36.1 to 45.6
Risk-free interest rate %	3.3 to 5.1	0.5 to 2.0
Expected life of rights		
SAYE	3 years	3 years
Deferred bonus	N/A	N/A
LTIP	3 to 5 years	5 years

The expected volatility is based on historical volatility over the expected life of the rights.

The fair value of options granted during the current period in relation to the SAYE was 6.5p (2022: 12.2p). No options were granted in the current period or prior period in relation to the deferred bonus scheme. The weighted average fair value of options granted during the period in relation to the LTIP was 31.8p (2022: 64.5p).

The weighted average share price for options exercised over the period was 32.6p (2022: 67.8p). The total charge for the period relating to employee share-based payment plans was £0.4 million (2022: £0.5 million), all of which related to equity-settled share-based payment transactions. After tax, the total charge was £0.3 million (2022: £0.5 million).

28 EQUITY SHARE CAPITAL

	2023		2022	
	Number m	Value £m	Number m	Value £m
Allotted, called up and fully paid				
Ordinary shares of 7.375p each:				
At beginning and end of the period	660.4	48.7	660.4	48.7

29 OTHER COMPONENTS OF EQUITY

The capital redemption reserve of £6.8 million (2022: £6.8 million) arose on share buybacks.

Own shares represent the carrying value of the investment in treasury shares and shares held on trust for employee share schemes (including executive share option schemes) as set out in the table below. The trustees of the schemes are Banks's Brewery Insurance Limited, a wholly-owned subsidiary of Marston's PLC, and Computershare Trustees (C.I.) Limited.

	2023		2022	
	Number m	Value £m	Number m	Value £m
Shares held on trust for employee share schemes	0.7	0.8	0.9	1.1
Treasury shares	26.2	109.8	26.2	109.8
	26.9	110.6	27.1	110.9

The market value of own shares held is £8.2 million (2022: £9.7 million). Shares held on trust for employee share schemes represent 0.1% (2022: 0.1%) of issued share capital. Treasury shares held represent 4.0% (2022: 4.0%) of issued share capital. Dividends on own shares have been waived.

The Group considers its capital to comprise total equity (as disclosed on the face of the Group balance sheet) and net debt (note 30). In managing its capital the primary objectives are to ensure that the Group is able to continue to operate as a going concern and to maximise return to shareholders through a combination of capital growth and distributions. The Group seeks to maintain a ratio of debt to equity that both balances risks and returns at an acceptable level and retains sufficient funds to comply with lending covenants, achieve working capital targets and meet investment requirements. The Board reviews the Group's dividend policy and funding requirements at least once a year.

Notes continued

For the 52 weeks ended 30 September 2023

30 NET DEBT

	2023 £m	2022 £m
Analysis of net debt		
Cash and cash equivalents		
Cash at bank and in hand	26.5	27.7
	26.5	27.7
Financial assets		
Other cash deposits	3.1	3.0
	3.1	3.0
Debt due within one year		
Bank borrowings	2.6	0.7
Securitised debt	(41.1)	(39.0)
Lease liabilities	(17.8)	(11.2)
Other lease related borrowings	0.4	0.4
Other borrowings	(10.0)	(15.0)
	(65.9)	(64.1)
Debt due after one year		
Bank borrowings	(228.2)	(214.6)
Securitised debt	(560.2)	(601.3)
Lease liabilities	(362.6)	(366.6)
Other lease related borrowings	(338.4)	(338.0)
Other borrowings	(40.0)	(40.0)
Preference shares	(0.1)	(0.1)
	(1,529.5)	(1,560.6)
Net debt	(1,565.8)	(1,594.0)

Other cash deposits comprises deposits securing letters of credit for reinsurance contracts. Included within cash and cash equivalents is an amount of £5.6 million (2022: £5.6 million) relating to collateral held in the form of cash deposits. These amounts are both considered to be restricted cash. In addition, any other cash held in connection with the securitised business is governed by certain restrictions under the covenants associated with the securitisation (note 21).

	2023 £m	2022 £m
Reconciliation of net cash flow to movement in net debt		
Decrease in cash and cash equivalents in the period	(1.2)	(4.5)
Increase/(decrease) in other cash deposits	0.1	(0.2)
Cash outflow from movement in debt	35.5	30.9
Net cash inflow	34.4	26.2
Non-cash movements and deferred issue costs	(6.2)	(16.3)
Movement in net debt in the period	28.2	9.9
Net debt at beginning of the period	(1,594.0)	(1,603.9)
Net debt at end of the period	(1,565.8)	(1,594.0)
	2023 £m	2022 £m
Net debt excluding lease liabilities	(1,185.4)	(1,216.2)
Lease liabilities	(380.4)	(377.8)
Net debt	(1,565.8)	(1,594.0)

Changes in liabilities arising from financing activities are as follows:

	2023			2022		
	Borrowings	Derivative financial instruments	Total financing liabilities	Borrowings	Derivative financial instruments	Total financing liabilities
	£m	£m	£m	£m	£m	£m
At beginning of the period	(1,624.7)	(20.4)	(1,645.1)	(1,639.3)	(170.5)	(1,809.8)
Cash flow	35.5	(0.1)	35.4	30.9	16.3	47.2
Changes in fair value	–	(13.1)	(13.1)	–	133.8	133.8
Other changes	(6.2)	–	(6.2)	(16.3)	–	(16.3)
At end of the period	(1,595.4)	(33.6)	(1,629.0)	(1,624.7)	(20.4)	(1,645.1)

Notes continued

For the 52 weeks ended 30 September 2023

31 WORKING CAPITAL AND NON-CASH MOVEMENTS

	2023 £m	2022 £m
Working capital movement		
(Increase)/decrease in inventories	(2.3)	0.3
Decrease/(increase) in trade and other receivables	4.7	(7.4)
Decrease in trade and other payables	(31.4)	(24.7)
	(29.0)	(31.8)
Non-cash movements		
Movements in respect of property, plant and equipment, assets held for sale and intangible assets	23.0	(24.6)
Income from associates	(9.9)	(3.3)
Non-cash movements in respect of leases	(1.2)	(3.0)
Share-based payments	0.4	0.5
	12.3	(30.4)

Further details of movements in respect of intangible assets, property, plant and equipment and assets held for sale are given in notes 10, 11 and 19.

32 LEASES

The Group as lessee

The Group leases a number of its properties. Right-of-use assets in respect of leasehold land and buildings with a term exceeding 100 years at acquisition/commencement of the lease or where there is an option to purchase the freehold at the end of the lease term for a nominal amount are classed as effective freehold land and buildings within property, plant and equipment. Right-of-use assets in respect of any other leasehold land and buildings are classed as leasehold land and buildings within property, plant and equipment. The Group's property leases have various terms, escalation clauses and renewal rights. A number of the leases include variable payments that depend on changes in RPI, often subject to a cap and collar.

The Group also leases certain items of fixtures, fittings, tools and equipment. These are generally held under leases with terms of five years or less and in some cases contain an option to purchase the asset for a nominal amount at the end of the lease.

	2023 £m	2022 £m
Depreciation charge for right-of-use assets		
Leasehold land and buildings	11.6	12.1
Fixtures, fittings, tools and equipment	0.2	0.2
	11.8	12.3
Carrying amount of right-of-use assets		
Effective freehold land and buildings	110.4	112.5
Leasehold land and buildings	245.6	254.0
Fixtures, fittings, tools and equipment	0.6	0.7
	356.6	367.2
	2023 £m	2022 £m
Interest expense on lease liabilities	19.3	18.9
Expenses relating to short-term leases	0.7	0.7
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	0.5	0.5
Variable lease payments	0.2	0.1
Income from subleasing right-of-use assets	1.3	1.4
Total cash outflow for leases	22.5	24.4
Additions to right-of-use assets	7.0	9.5

The table below analyses the Group's lease liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2023 £m	2022 £m
Less than one year	36.8	30.4
Between one and two years	29.0	28.9
Between two and five years	86.5	85.5
Over five years	562.1	576.8
	714.4	721.6

Notes continued

For the 52 weeks ended 30 September 2023

32 LEASES CONTINUED

The Group as lessor

The Group leases a proportion of its licensed estate and other unlicensed properties to tenants. The majority of lease agreements have terms of 21 years or less. For leases where the Group is the intermediate lessor certain subleases are classified as finance leases as the classification is determined by reference to the right-of-use asset arising from the head lease rather than the underlying asset. All other leases are classified as operating leases from a lessor perspective.

Amounts recognised in the income statement are as follows:

	2023 £m	2022 £m
Finance income on the net investment in the lease	0.9	0.9
Lease income for operating leases	9.6	11.3

The maturity analysis of the undiscounted lease payments to be received for finance leases is as follows:

Finance leases	2023 £m	2022 £m
Within one year	4.7	6.6
In more than one year but less than two years	2.3	2.8
In more than two years but less than three years	2.1	2.6
In more than three years but less than four years	2.0	2.4
In more than four years but less than five years	2.0	2.3
In more than five years	11.3	13.8
	24.4	30.5
Unearned finance income	(5.6)	(7.0)
Net investment in the lease	18.8	23.5

The maturity analysis of the undiscounted lease payments to be received for operating leases is as follows:

Operating leases	2023 £m	2022 £m
Within one year	7.8	9.8
In more than one year but less than two years	5.9	7.6
In more than two years but less than three years	4.6	5.7
In more than three years but less than four years	3.1	4.4
In more than four years but less than five years	2.3	2.8
In more than five years	9.3	11.1
	33.0	41.4

33 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

The Group has issued letters of credit totalling £3.7 million (2022: £3.7 million) to secure reinsurance contracts; of which some of these letters of credit are secured on fixed deposits (note 30).

The Group has also entered into a Deed of Guarantee with the Trustees of the Marston's PLC Pension and Life Assurance Scheme ('the Scheme') whereby it guarantees to the Trustees the ongoing obligations of the Group to contribute to the Scheme, and the obligations of the Group to contribute to the Scheme in the event of a debt becoming due under section 75 of the Pensions Act 1995 on the occurrence of either a Group company entering liquidation or the Scheme winding up.

Company balance sheet

As at 30 September 2023

	Note	30 September 2023 £m	1 October 2022 £m
Fixed assets			
Tangible assets	5	194.0	204.9
Investments	6	264.2	263.8
		458.2	468.7
Current assets			
Debtors			
Amounts falling due within one year	7	257.3	255.7
Amounts falling due after more than one year	7	668.3	592.2
Cash at bank		1.9	2.2
		927.5	850.1
Creditors Amounts falling due within one year	8	(550.4)	(475.6)
Net current assets		377.1	374.5
Total assets less current liabilities		835.3	843.2
Creditors Amounts falling due after more than one year	8	(155.5)	(159.1)
Provisions for liabilities	9	(5.2)	(4.7)
Net assets		674.6	679.4
Capital and reserves			
Equity share capital	13	48.7	48.7
Share premium account	14	334.0	334.0
Revaluation reserve	14	21.6	25.4
Capital redemption reserve	14	6.8	6.8
Own shares	14	(110.6)	(110.9)
Profit and loss reserves		374.1	375.4
Total equity		674.6	679.4

The loss of the Company for the 52 weeks ended 30 September 2023 was £1.6 million (2022: profit of £29.8 million).

The financial statements were approved by the Board and authorised for issue on 5 December 2023 and are signed on its behalf by:

Hayleigh Lupino

 Chief Financial Officer
 5 December 2023

Company registration number: 31461

Company statement of changes in equity

For the 52 weeks ended 30 September 2023

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Own shares £m	Profit and loss reserves £m	Total equity £m
At 3 October 2021	48.7	334.0	19.5	6.8	(111.1)	344.2	642.1
Profit for the period	–	–	–	–	–	29.8	29.8
Revaluation of properties	–	–	8.9	–	–	–	8.9
Deferred tax on properties	–	–	(1.9)	–	–	–	(1.9)
Total comprehensive income	–	–	7.0	–	–	29.8	36.8
Share-based payments	–	–	–	–	–	0.5	0.5
Sale of own shares	–	–	–	–	0.2	(0.2)	–
Transfer to profit and loss reserves	–	–	(1.1)	–	–	1.1	–
Total transactions with owners	–	–	(1.1)	–	0.2	1.4	0.5
At 1 October 2022	48.7	334.0	25.4	6.8	(110.9)	375.4	679.4
Loss for the period	–	–	–	–	–	(1.6)	(1.6)
Revaluation of properties	–	–	(4.2)	–	–	–	(4.2)
Deferred tax on properties	–	–	0.6	–	–	–	0.6
Total comprehensive expense	–	–	(3.6)	–	–	(1.6)	(5.2)
Share-based payments	–	–	–	–	–	0.4	0.4
Sale of own shares	–	–	–	–	0.3	(0.3)	–
Transfer to profit and loss reserves	–	–	(0.2)	–	–	0.2	–
Total transactions with owners	–	–	(0.2)	–	0.3	0.3	0.4
At 30 September 2023	48.7	334.0	21.6	6.8	(110.6)	374.1	674.6

Notes

For the 52 weeks ended 30 September 2023

1 ACCOUNTING POLICIES

The Company's principal accounting policies are set out below:

Company information

Marston's PLC is a public company limited by shares incorporated in England and Wales and domiciled in the UK. The registered office is St Johns House, St Johns Square, Wolverhampton, WV2 4BH.

Basis of preparation

These financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £0.1 million.

The financial statements have been prepared under the historical cost convention modified to include the revaluation of effective freehold land and buildings and the holding of certain financial instruments at fair value.

The Company is a qualifying entity for the purposes of FRS 102, as it prepares publicly available consolidated financial statements, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The Company has therefore taken advantage of the exemptions from the following disclosure requirements in FRS 102:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flows and related notes and disclosures;
- Section 11 'Basic Financial Instruments' – Interest income/expense and net gains/losses for each category of financial instrument not measured at fair value through profit or loss, impairment losses for each class of financial asset and information that enables users to evaluate the significance of financial instruments;
- Section 26 'Share-based Payment' – Reconciliation of the opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, and an explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

These financial statements present information about the Company as an individual entity and not about its group.

As permitted by section 408(3) of the Companies Act 2006, no profit and loss account has been presented for the Company.

The Directors continue to adopt the going concern basis of accounting in preparing the financial statements. Details of the going concern assessment performed by the Group are provided in note 1 to the Group financial statements.

Turnover

Turnover represents rent receivable, which is recognised over time and in the period to which it relates.

Current and deferred tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the accounts because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Notes continued

For the 52 weeks ended 30 September 2023

1 ACCOUNTING POLICIES CONTINUED

Fixed assets

- Land and buildings which are either freehold or are in substance freehold assets are classed as effective freehold land and buildings. This includes leasehold land and buildings with a term exceeding 100 years at acquisition/commencement of the lease or where there is an option to purchase the freehold at the end of the lease term for a nominal amount. All other leasehold land and buildings are classed as leasehold land and buildings.
- Effective freehold land and buildings are initially stated at cost and subsequently at valuation. Leasehold land and buildings and fixtures, fittings, plant and equipment are stated at cost.
- Depreciation is charged to the profit and loss account on a straight-line basis to provide for the cost or valuation of the assets less their residual values over their useful lives.
- Land and buildings are depreciated to their residual values over the lower of the lease term (where applicable) and 50 years.
- Fixtures, fittings, plant and equipment are depreciated over seven years.
- Interest costs directly attributable to capital projects are capitalised.

Effective freehold land and buildings are revalued by qualified valuers on an annual basis using open market values so that the carrying value of an asset does not differ significantly from its fair value at the balance sheet date. The annual valuations are determined via third-party inspection of approximately a third of the sites such that all sites are individually inspected every three years. Substantially all of the Company's effective freehold land and buildings have been valued by a third-party 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 they reverse previously charged impairment losses, in which case the reversal is recorded in the profit and loss account.

Disposals of fixed assets

Profit/loss on disposal of fixed assets represents net sale proceeds less the carrying value of the assets. Any element of the revaluation reserve relating to the fixed assets disposed of is transferred to profit and loss reserves at the date of sale.

Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which comprise amounts owed by Group undertakings, other debtors and cash and cash equivalents, are initially measured at the transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method.

Other financial assets

Derivatives, including interest rate swaps, are not basic financial assets and are accounted for as set out below.

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Notes continued

For the 52 weeks ended 30 September 2023

1 ACCOUNTING POLICIES CONTINUED

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, comprising amounts owed to Group undertakings, other creditors and borrowings, are initially recognised at the transaction price and subsequently carried at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps, are not basic financial liabilities and are accounted for as set out below.

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

Derivatives

The Company uses derivative financial instruments to hedge the Group's exposure to fluctuations in interest rates. Derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently remeasured to their fair value at each balance sheet date. The Company has not designated any derivative financial instruments as hedging instruments and as such any gains or losses on remeasurement are recognised in the profit and loss account immediately.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets' fair value at the date of inception of the lease and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to the profit and loss account on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease premiums received are recognised on a straight-line basis over the life of the lease.

Obligations arising from sale and leaseback arrangements with repurchase options that do not fall within the scope of Section 20 'Leases' of FR5 102 are classified as other lease related borrowings and accounted for as secured loans on an amortised cost basis.

Investments in subsidiaries

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Provisions

Provisions are recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Notes continued

For the 52 weeks ended 30 September 2023

1 ACCOUNTING POLICIES CONTINUED

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation for which the estimates of future cash flows have not been adjusted. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Dividends

Dividends proposed by the Board but unpaid at the period end are recognised in the financial statements when they have been approved by the shareholders. Interim dividends are recognised when paid.

Preference shares

Preference shares are treated as borrowings, and dividends payable on those preference shares are charged as interest in the profit and loss account.

Group undertakings

There is an intra group funding agreement in place between the Company and certain other members of the Group. This agreement stipulates that all balances outstanding on any intercompany loan account between these companies which exceed £1 are interest bearing at a prescribed rate.

There is a 12.5% subordinated loan owed to the Company by Marston's Pubs Limited and there are deep discount bonds owed by the Company to Banks's Brewery Insurance Limited. No interest is payable on any other amounts owed by/to Group companies who are not party to the intra group funding agreement.

All amounts owed by/to Group undertakings are unsecured and, with the exception of the subordinated loan and deep discount bonds, repayable on demand.

2 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The following estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities:

Tangible fixed assets

The Company carries its effective freehold land and buildings at fair value. These properties are valued by external or internal valuers on an open market value basis, primarily using earnings multiples derived from prices in observed transactions involving comparable businesses. The estimation of the fair values requires a combination of assumptions, including future earnings and appropriate multiples.

The carrying amount of tangible fixed assets is shown in note 5.

Fixed asset investments

Where there are indications of impairment or reversal of impairment of the Company's investments in subsidiary undertakings an assessment is made of the recoverable amounts of the investments, which are based on either the net assets of the subsidiary or value in use calculations. The estimation of the recoverable amounts requires a combination of assumptions, including cash flows, long-term growth rates and pre-tax discount rates.

The carrying amount of fixed asset investments is shown in note 6.

3 AUDITOR'S REMUNERATION

Fees payable to the Company's Auditor for the audit of the Company's annual accounts are disclosed in note 3 to the Group financial statements. Fees paid to the Company's Auditor for non-audit services to the Company itself are not required to be disclosed as the Group financial statements disclose such fees on a consolidated basis.

Notes continued

For the 52 weeks ended 30 September 2023

4 EMPLOYEES

The average monthly number of people employed by the Company during the period was nil (2022: nil).

5 TANGIBLE FIXED ASSETS

	Effective freehold land and buildings £m	Leasehold land and buildings £m	Fixtures, fittings, plant and equipment £m	Total £m
Cost or valuation				
At 2 October 2022	192.7	31.2	1.2	225.1
Additions	3.9	1.0	–	4.9
Revaluation	(11.5)	–	–	(11.5)
Disposals	(1.0)	(5.0)	–	(6.0)
At 30 September 2023	184.1	27.2	1.2	212.5
Depreciation				
At 2 October 2022	–	19.7	0.5	20.2
Charge for the period	–	0.9	0.2	1.1
Impairment	–	1.9	–	1.9
Disposals	–	(4.7)	–	(4.7)
At 30 September 2023	–	17.8	0.7	18.5
Net book amount at 1 October 2022	192.7	11.5	0.7	204.9
Net book amount at 30 September 2023	184.1	9.4	0.5	194.0

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

	2023 £m	2022 £m
Freehold land and buildings	135.1	138.6
Leasehold land and buildings with a term greater than 100 years at acquisition/commencement	49.0	54.1
Leasehold land and buildings with a term less than 100 years at acquisition/commencement	9.4	11.5
	193.5	204.2

If the effective freehold land and buildings had not been revalued, the historical cost net book amount would be £155.2 million (2022: £159.4 million).

Capital expenditure authorised and committed at the period end but not provided for in the financial statements was £nil (2022: £0.3 million).

The net book amount of effective freehold land and buildings held under finance leases at 30 September 2023 was £16.5 million (2022: £19.1 million). The net book amount of effective freehold land and buildings held as part of sale and leaseback arrangements that do not fall within the scope of Section 20 'Leases' of FRS 102 was £86.5 million (2022: £92.6 million). The net book amount of fixtures, fittings, plant and equipment held under finance leases was £0.5 million (2022: £0.7 million).

The Company has charged effective freehold land and buildings with a value of £4.2 million (2022: £4.1 million) in favour of the Marston's PLC Pension and Life Assurance Scheme (the 'Scheme') as continuing security for the Group's obligations to the Scheme.

Revaluation/impairment

At 2 July 2023 independent chartered surveyors revalued the Company's effective freehold properties on an open market value basis. During the current and prior period various properties were also reviewed for impairment and/or material changes in value. These valuation adjustments were recognised in the revaluation reserve or profit and loss account as appropriate.

	2023 £m	2022 £m
Profit and loss account:		
Impairment	(16.2)	(5.2)
Reversal of past impairment	7.0	12.8
	(9.2)	7.6
Revaluation reserve:		
Unrealised revaluation surplus	5.1	10.0
Reversal of past revaluation surplus	(9.3)	(1.1)
	(4.2)	8.9
Net (decrease)/increase in shareholders' equity/tangible fixed assets	(13.4)	16.5

Notes continued

For the 52 weeks ended 30 September 2023

6 FIXED ASSET INVESTMENTS

	Subsidiary undertakings £m
Cost	
At 2 October 2022	263.8
Capital contribution in respect of equity-settled share-based payments	0.4
At 30 September 2023	264.2
Net book amount at 1 October 2022	263.8
Net book amount at 30 September 2023	264.2

Where there are indications of impairment or reversal of impairment of the Company's investments in subsidiary undertakings an assessment is made of the recoverable amounts of the investments, which are based on either the net assets of the subsidiary or value in use calculations. Where a value in use calculation is used, cash flows have been derived from the latest board approved cash flows of the relevant entity, applying a long-term growth rate of 1.8% and discounted at a pre-tax discount rate equivalent to 9.2%.

These financial statements are separate company financial statements for Marston's PLC.

The registered office of all of the Company's subsidiaries is St Johns House, St Johns Square, Wolverhampton, WV2 4BH, with the exception of Banks's Brewery Insurance Limited, Marston's Issuer PLC and Marston's Issuer Parent Limited. The registered office of Banks's Brewery Insurance Limited is PO Box 33, Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 4AT. The registered office of Marston's Issuer PLC and Marston's Issuer Parent Limited is Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF.

All subsidiaries have been included in the consolidated financial statements. Although the Group does not hold any shares in Marston's Issuer PLC and its parent company, Marston's Issuer Parent Limited, these companies are treated as subsidiary undertakings for the purpose of the consolidated financial statements as it is considered that they are controlled by the Group. Marston's Issuer PLC was set up with the sole purpose of issuing debt secured on the assets of Marston's Pubs Limited. Wilmington Trust SP Services (London) Limited holds the shares of Marston's Issuer Parent Limited under a declaration of trust for charitable purposes.

The Company had the following subsidiary undertakings at 30 September 2023:

	Nature of business	Class of share	Proportion of shares held directly by Marston's PLC	Proportion of shares held by the Group
Marston's Estates Limited	Property management	Ordinary 25p	–	100%
Marston's Operating Limited	Pub retailer	Ordinary £1	–	100%
Marston's Pubs Limited	Pub retailer	Ordinary £1	–	100%
Marston's Pubs Parent Limited	Holding company	Ordinary £1	–	100%
Marston's Telecoms Limited	Telecommunications	Ordinary £1	–	100%
Marston's Trading Limited	Pub retailer	Ordinary £5	–	100%
Banks's Brewery Insurance Limited	Insurance	Ordinary £1	–	100%
Marston's Acquisitions Limited	Acquisition company	Ordinary 25p	–	100%
		Preference £1	–	100%
Marston's Corporate Holdings Limited	Holding company	Ordinary £1	100%	100%
Marston's Issuer PLC	Financing company	Ordinary £1	–	–
Marston's Issuer Parent Limited	Holding company	Ordinary £1	–	–
Brasserie Restaurants Limited	Dormant	Ordinary £1	–	100%
Celtic Inns Holdings Limited	Dormant	Ordinary 1p	–	100%
Celtic Inns Limited	Dormant	Ordinary £1	–	100%
Eldridge, Pope & Co., Limited	Dormant	Ordinary 50p	–	100%
English Country Inns Limited	Dormant	Ordinary 50p	–	100%
Fayolle Limited	Dormant	Ordinary £1	–	100%
John Marston's Taverners Limited	Dormant	Ordinary £1	–	100%
Lambert Parker & Gaines Limited	Dormant	Ordinary £1	–	100%
Mansfield Brewery Limited	Dormant	Ordinary 25p	–	100%
Mansfield Brewery Trading Limited	Dormant	Ordinary £1	–	100%
Marston, Thompson & Evershed Limited	Dormant	Ordinary 25p	–	100%
Marston's Property Developments Limited	Dormant	Ordinary £1	–	100%
Osprey Inns Limited	Dormant	Ordinary £1	–	100%
Pitcher and Piano Limited	Dormant	Ordinary £1	–	100%
Porter Black (2003) Limited	Dormant	Ordinary £1	–	100%
QP Bars Limited	Dormant	Ordinary £1	–	100%
Sherwood Forest Properties Limited	Dormant	Ordinary £1	–	100%
W&DB (Finance) Limited	Dormant	Ordinary £1	–	100%
Wizard Inns Limited	Dormant	'A' Ordinary 1p	–	100%
		Deferred 1p	–	100%

Notes continued

For the 52 weeks ended 30 September 2023

6 FIXED ASSET INVESTMENTS CONTINUED

The Company had the following associates at 30 September 2023:

	Nature of business	Class of share	Proportion of shares held directly by Marston's PLC	Proportion of shares held by the Group
Carlsberg Marston's Limited	Brewer	Ordinary £1	–	40%

The registered office of Carlsberg Marston's Limited is Marston's House, Brewery Road, Wolverhampton, WV1 4JT.

7 DEBTORS

	2023 £m	2022 £m
Amounts falling due within one year	252.3	252.3
Amounts owed by Group undertakings	1.1	–
Derivative financial instruments	0.1	0.1
Prepayments and accrued income	3.8	3.3
Other debtors	257.3	255.7
Amounts falling due after more than one year	668.3	592.2
12.5% subordinated loan owed by Group undertaking	–	1.8
Derivative financial instruments	668.3	592.2

The gross contractual amount outstanding in respect of the subordinated loan was £1,687.2 million (2022: £1,490.4 million) and the impact of discounting the expected cash flows at 12.5% was £1,018.9 million (2022: £900.0 million).

8 CREDITORS

	2023 £m	2022 £m
Amounts falling due within one year	504.0	449.4
Amounts owed to Group undertakings	0.9	0.9
Finance leases	(0.1)	(0.1)
Other lease related borrowings	34.5	15.4
Corporation tax	1.1	–
Derivative financial instruments	10.0	9.6
Accruals and deferred income	–	0.4
Other creditors	550.4	475.6
Amounts falling due after more than one year	155.5	159.1
Finance leases	19.0	19.5
Other lease related borrowings	88.6	88.5
Other borrowings	40.0	40.0
Preference shares	0.1	0.1
Derivative financial instruments	–	1.8
Accruals and deferred income	7.8	9.2

The preference shares carry the right to a fixed cumulative preferential dividend. They participate in the event of a winding-up and on a return of capital and carry the right to attend and vote at general meetings of the Company, carrying four votes per share.

Other lease related borrowings represent amounts due under sale and leaseback arrangements that do not fall within the scope of Section 20 'Leases' of FRS 102. The Company has an option to repurchase each leased property for a nominal amount at the end of the lease. The leases have terms of 35 to 40 years and rents which are linked to RPI, subject to a cap and collar.

The amount falling due for payment after more than five years from the balance sheet date on debts repayable by instalments was £106.8 million (2022: £107.1 million). Debts of £0.1 million (2022: £0.1 million) were repayable otherwise than by instalments after more than five years from the balance sheet date.

Notes continued

For the 52 weeks ended 30 September 2023

9 PROVISIONS FOR LIABILITIES

	Deferred tax £m	Property leases £m	Total £m
At 2 October 2022	1.0	3.7	4.7
Provided in the period	–	1.3	1.3
Released in the period	–	(0.5)	(0.5)
Utilised in the period	–	(0.6)	(0.6)
Unwind of discount	–	0.1	0.1
Adjustment for change in discount rate	–	(0.1)	(0.1)
Charged to profit or loss	0.9	–	0.9
Credited to other comprehensive income	(0.6)	–	(0.6)
At 30 September 2023	1.3	3.9	5.2

Payments are expected to continue in respect of these property leases for periods of 1 to 21 years (2022: 1 to 22 years). There is not considered to be any significant uncertainty regarding the amount and timing of these payments.

Deferred tax

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

	2023 £m	2022 £m
Excess of capital allowances over accumulated depreciation	6.4	6.1
Other	(5.1)	(5.1)
	1.3	1.0

A deferred tax asset of £8.0 million (2022: £7.7 million) arising on capital losses has not been recognised due to uncertainty over its future recoverability.

10 FINANCIAL INSTRUMENTS

	2023 £m	2022 £m
Carrying amount of financial assets		
Measured at fair value through profit or loss	1.1	1.8
Carrying amount of financial liabilities		
Measured at fair value through profit or loss	1.1	1.8

The only financial instruments that the Company holds at fair value are interest rate swaps. The fair values of the Company's interest rate swaps are obtained using a market approach and reflect the estimated amount the Company would expect to pay or receive on termination of the instruments, adjusted for the Company's own credit risk. The Company utilises valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date.

11 OPERATING LEASE COMMITMENTS

At 30 September 2023 the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2023 £m	2022 £m
Within one year	7.0	6.4
In more than one year but less than five years	20.9	21.6
In more than five years	38.1	43.8
	66.0	71.8

Notes continued

For the 52 weeks ended 30 September 2023

12 FINANCE LEASE OBLIGATIONS

The Company leases various properties and items of equipment under finance leases. The leases have various terms, escalation clauses and renewal rights. Future minimum lease payments under finance leases are as follows:

	2023 £m	2022 £m
Within one year	2.0	1.9
In more than one year but less than five years	5.4	5.6
In more than five years	28.3	29.7
Future finance charges	35.7 (15.8)	37.2 (16.8)
Present value of finance lease obligations	19.9	20.4

13 EQUITY SHARE CAPITAL

	2023		2022	
	Number m	Value £m	Number m	Value £m
Allotted, called up and fully paid				
Ordinary shares of 7.375p each	660.4	48.7	660.4	48.7

14 RESERVES

The share premium account comprises amounts in excess of nominal value received for the issue of shares less any transaction costs.

When effective freehold land and buildings are revalued any gains and losses are recognised in the revaluation reserve, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in the revaluation reserve; such gains and losses are recognised in profit or loss. The associated deferred tax on revaluations is also recognised in the revaluation reserve. Amounts representing the equivalent depreciation are transferred to profit and loss reserves annually and the full amount is transferred on disposal of the associated property.

The capital redemption reserve arose on share buybacks.

Details of own shares are provided in note 29 to the Group financial statements.

15 GUARANTEES AND CONTINGENT LIABILITIES

The Company has entered into a Deed of Guarantee with Marston's Trading Limited ('Trading') and the Trustees of the Marston's PLC Pension and Life Assurance Scheme ('the Scheme') whereby it guarantees to the Trustees the ongoing obligations of Trading to contribute to the Scheme and the obligations of Trading to contribute to the Scheme in the event of a debt becoming due under section 75 of the Pensions Act 1995 on the occurrence of either Trading entering liquidation or the Scheme winding up.

The Company has guaranteed the obligations of Trading under certain of its banking facilities and the obligations of Marston's Estates Limited under various property leases.

Additional information

Alternative performance measures

Abbreviations

APM Alternative performance measure

CAPEX Capital expenditure

EBITDA Earnings before interest, tax, depreciation, and amortisation

FCF Free cash flow

LFL Like-for-like

NAV Net asset value

NCF Net cash flow

Definitions

APMs

In addition to statutory financial measures, these full year results include financial measures that are not defined or recognised under IFRS or FRS 102, all of which the Group considers to be alternative performance measures (APMs). APMs should not be regarded as a complete picture of the Group's financial performance, which the Group presents within its total statutory results.

The APMs are used by the Board and management to analyse operational and financial performance and track the Group's progress against long-term strategic plans. The APMs provide additional information to investors and other external shareholders to enhance their understanding of the Group's results and comparison with industry peers.

CAPEX

Capital expenditure is the cost of acquiring and maintaining fixed assets, comprising both maintenance and investment expenditure. It is a measure by which the Group and interested stakeholders assess the level of investment in the estate to maintain the Group's profit. Capital expenditure is the purchase of property, plant and equipment and intangible assets as presented directly within the Group cash flow statement.

FCF

FCF represents the net cash inflow from operating activities, adjusted for cash movements on interest and debt issue costs paid. The Group uses FCF to determine bonus outcomes for Directors' remuneration.

LFL sales

LFL sales reflect sales for all pubs that were trading in the two periods being compared expressed as a percentage, excluding those pubs that have changed format between tenanted and leased and the rest of the estate. LFL sales does not exclude those pubs that have changed format between managed and franchised.

The inclusion of a pub within LFL sales is considered on a daily basis and a pub is included within LFL sales for only the days within the trading period where it meets the definition of LFL. A site is considered fully open for trading if it generated more than £100 per day. If a site is acquired or disposed of during the two periods being compared, LFL sales includes the days where the site is fully open for trading in both periods.

LFL sales is a widely used industry measure which provides better insight into the trading performance of the Group as total revenue is impacted by acquisitions, disposals, and investment into the estate through conversions and refurbishments.

NAV per share

NAV per share is the value of net assets of the Group, divided by the number of shares in issue excluding own shares held.

NCF

NCF is the increase/decrease in cash and cash equivalents in the period, adjusted for movements in other cash deposits and the cash movement in debt. NCF is used by the Group to determine targets for LTIP awards.

Net debt

Net debt is defined as the sum of cash and cash equivalents and other cash deposits, less total borrowings, at the balance sheet date. Net debt is presented excluding lease liabilities as the target for the Group's 'Back to a billion' corporate goal is to reduce net debt excluding lease liabilities to below £1 billion.

Non-underlying

Non-underlying items are presented separately on the face of the income statement and are defined as those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to enable users of the financial statements to better understand elements of financial performance in the period, so as to facilitate comparison with future and prior periods. As management of the freehold and leasehold property estate is an essential and significant area of the business, the threshold for classification of property related items as non-underlying is higher than other items.

Additional information continued

Alternative performance measures

Non-underlying (continued)

Underlying results should not be regarded as a complete picture of the Group's financial performance as they exclude specific items of income and expense. The full financial performance of the Group is presented within its total statutory results.

Operating profit/(loss)

Operating profit/(loss) is revenue less net operating expenses, plus the share of results from associates. Operating profit/(loss) is presented directly on the Group income statement. It is not defined in IFRS however it is a generally accepted profit measure.

Outlet sales

Outlet sales represents all revenue that is generated at our managed and franchised pubs, which includes food, drink, accommodation, and gaming machine income.

Profit/(loss) before tax

Profit/(loss) before tax is profit for the period presented before the tax charge/credit for the period. Profit/(loss) before tax is presented directly on the Group income statement. It is not defined in IFRS, however it is a generally accepted profit measure.

Retail sales

Retail sales represents all revenue that is generated through the Group's EPOS (electronic point of sale) till systems in our managed and franchised pubs, which includes food, drink, and accommodation sales.

Underlying EBITDA

Underlying EBITDA is the earnings before interest, tax, depreciation, amortisation and non-underlying items. The Directors regularly use underlying EBITDA as a key performance measure in assessing the Group's profitability. The measure is considered useful to users of the financial statements as it is a widely used industry measure which allows comparison to peers, comparison of performance across periods, and is used to determine bonus outcomes for Directors' remuneration.

Wholesale sales

Wholesale sales represents revenue generated from our tenanted and leased pubs.

Year

The current year refers to the 52-week period ended 30 September 2023. The prior year refers to the 52-week period ended 1 October 2022.

Reconciliation of APMs to Marston's strategy

APM	Closest equivalent statutory measure	Link to corporate strategy or goal	Link to ESG strategy
CAPEX	Purchase of property, plant and equipment and intangible assets	We will grow (strategy) Links to the third element of our strategy to deliver high returning growth capex.	Environment We want to generate high returns on energy efficient technology expenditure.
FCF	Net cash flow from operating activities	We will grow (strategy) Links to the third element of our strategy to exploit M&A opportunities.	Investors We want to attract long-term equity and debt investors who believe in and support our strategy.
NCF	Net increase/(decrease) in cash and cash equivalents		
LFL sales	Revenue	Back to a billion (goal) Achieving £1 billion sales.	Communities We want to generate additional income to increase our charitable donations.
NAV per share	Net assets	We will grow (strategy) Links to the third element of our strategy to increase returns.	Investors We want to attract long-term equity and debt investors who believe in and support our strategy.
Net debt	Borrowings	Back to a billion (goal) Reducing net debt (excluding lease liabilities) to below £1 billion.	Investors We want to drive shareholder value by reducing borrowings to below £1 billion.
Underlying operating margin	Operating profit	We raise the bar (strategy) Links to the second element of our strategy, to achieve operational excellence.	Environment We want to improve profitability by reducing our energy usage.
Underlying EBITDA	Profit/(loss) before tax		

Additional information continued

Alternative performance measures

Reconciliation of APMs to statutory results

LFL sales

	Statutory reference	52 weeks to 30 September 2023 £m	52 weeks to 1 October 2022 £m	LFL %
LFL retail sales		760.9	691.1	10.1
Non-LFL retail sales		45.2	43.0	
Retail sales		806.1	734.1	9.8
Non-EPOS outlet sales		26.7	23.1	
Outlet sales	Note 3	832.8	757.2	10.0

		9 weeks to 2 December 2023 £m	9 weeks to 3 December 2022 £m	LFL %
LFL retail sales		125.2	116.6	7.4
Non-LFL retail sales		6.3	4.4	
Retail sales		131.5	121.0	8.7

FCF

	Statutory reference	2023 £m	2022 £m
Net cash inflow from operating activities	Cash flow statement	141.2	134.0
Interest received	Cash flow statement	1.8	0.9
Interest paid	Cash flow statement	(93.1)	(79.4)
Arrangement costs of bank facilities	Cash flow statement	(4.0)	–
Free cash flow		45.9	55.5

NAV per share

	Statutory reference	2023	2022
Net assets (£m)	Balance sheet	640.1	648.1
Number of shares outstanding	Note 28, 29	633.5	633.3
NAV per share		1.01	1.02

NCF

	Statutory reference	2023 £m	2022 £m
Decrease in cash and cash equivalents	Note 30	(1.2)	(4.5)
Increase/(decrease) in other cash deposits	Note 30	0.1	(0.2)
Cash outflow from movement in debt	Note 30	35.5	30.9
Net cash flow		34.4	26.2

Net debt

	Statutory reference	2023 £m	2022 £m
Decrease in cash and cash equivalents	Note 30	(1.2)	(4.5)
Increase/(decrease) in other cash deposits	Note 30	0.1	(0.2)
Cash outflow from movement in debt excluding lease liabilities		30.4	22.4
Net cash inflow		29.3	17.7
Non-cash movements and deferred issue costs		1.5	(1.6)
Movement in net debt excluding lease liabilities in the period		30.8	16.1
Net debt excluding lease liabilities at beginning of the period	Note 30	(1,216.2)	(1,232.3)
Net debt excluding lease liabilities at end of the period	Note 30	(1,185.4)	(1,216.2)

Additional information continued

Alternative performance measures

Underlying EBITDA

	Statutory reference	2023 £m	2022 £m
Operating profit	Income statement	100.1	145.4
Non-underlying operating items	Note 4	34.6	(26.7)
Depreciation and amortisation	Cash flow statement	45.5	44.2
Underlying EBITDA including income from associates		180.2	162.9
Income from associates	Income statement	(9.9)	(3.3)
Underlying EBITDA excluding income from associates		170.3	159.6

Underlying operating margin

	Statutory reference	2023 £m	2022 £m
Operating profit	Income statement	100.1	145.4
Income from associates	Income statement	(9.9)	(3.3)
Pub operating profit		90.2	142.1
Non-underlying operating items	Note 4	34.6	(26.7)
Underlying operating profit excluding income from associates ('pub operating profit')		124.8	115.4
Revenue	Income statement	872.3	799.6
Underlying operating margin		14.3%	14.4%

	26 weeks to 1 April 2023 £m	26 weeks to 30 September 2023 £m	52 weeks to 30 September 2023 £m
Operating profit	45.3	54.8	100.1
Income from associates	(2.2)	(7.7)	(9.9)
Non-underlying operating items	-	34.6	34.6
Underlying operating profit excluding income from associates ('pub operating profit')	43.1	81.7	124.8
Revenue	407.0	465.3	872.3
Underlying operating margin	10.6%	17.6%	14.3%

Additional information continued

Information for shareholders

Annual General Meeting (AGM)

The Company's AGM will be held at 10:00am on 23 January 2024 at The Farmhouse at Mockworth, 60 Ashbourne Road, Derby DE22 4LY.

Any changes to the AGM arrangements will be communicated to shareholders before the AGM through our website and, where appropriate, by RNS announcement.

Online voting for the AGM

Shareholder participation remains important to us and we strongly encourage all shareholders to participate in the business of the meeting by submitting your votes on each of the resolutions in advance.

To register the appointment of a proxy electronically, visit www.sharevote.co.uk and follow the instructions provided (you will need the voting numbers found on your Form of Proxy). Alternatively, shareholders who have already registered with Equiniti Registrars' online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk using their user ID and password. Once logged in, click 'view' on the 'My Investments' page. Click on the link to vote and follow the on-screen instructions.

Financial calendar

AGM and Interim Management Statement	23 January 2024
Half-year results	May 2024
Full-year results	December 2024

These dates are indicative only and may be subject to change.

The Marston's website

Shareholders are encouraged to visit our website www.marstonpubs.co.uk for further information about the Company. The dedicated Investors section on the website contains information specifically for shareholders, including share price information, historical dividend amounts and payment dates together with this year's (and prior years') Annual Report and Accounts.

Registrars

The Company's shareholder register is maintained by our Registrar, Equiniti. If you have any queries relating to your Marston's PLC shareholding you should contact Equiniti directly by one of the methods below:

Online: help.shareview.co.uk – from here you will be able to securely email Equiniti with your query

Telephone: +44 (0)371 384 2274¹

By post: Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

¹ Lines are open from 8:30am to 5:30pm (UK time), Monday to Friday, excluding public holidays in England and Wales. If calling from outside of the UK, please ensure the country code is used.

Dividend payments

Given the priority to reduce the overall level of borrowing and the continued macroeconomic uncertainty, the Board have agreed that no dividends will be paid in respect of the reporting year. The Board remains cognisant of the importance of dividends to shareholders and intends to keep potential future dividends under review.

However, if you believe you have any unclaimed dividends or have misplaced a cheque, please contact Equiniti or visit www.shareview.co.uk. By completing a bank mandate form, dividends can be paid directly into your bank or building society account. Those selecting this payment method will benefit from receiving cleared funds in their bank account on the payment date, avoiding postal delays and removing the risk of any cheques being lost in the post. To change how you receive your dividends contact Equiniti or visit www.shareview.co.uk.

Duplicate documents

If you have received two or more sets of the documents concerning the AGM this means that there is more than one account in your name on the shareholder register, perhaps because either your name or your address appear on each account in a slightly different way. If you think this might be the case and would like to combine your accounts, please contact Equiniti.

Additional information continued

Information for shareholders

Moving house?

It is important that you notify Equiniti of your new address as soon as possible. If you reside in the UK, this can be done quickly over the telephone or in writing, quoting your full name, shareholder reference number (if known), previous address and new address.

Electronic communications

Changes in legislation in recent years allow the Company to use its corporate website as the main way to communicate with shareholders. Annual Report and Accounts are only sent to those shareholders who have opted to receive a paper copy. Registering to receive shareholder documentation from the Company electronically will allow shareholders to:

- view the Annual Report and Accounts on the day it is published;
- receive an email alert when the Annual Report and Accounts and any other shareholder documents are available;
- cast their AGM votes electronically; and
- manage their shareholding quickly and securely online, through www.shareview.co.uk

This reduces our impact on the environment, minimises waste and reduces printing and mailing costs. For further information and to register for electronic shareholder communications, visit www.shareview.co.uk.

Buying and selling shares in the UK

If you wish to buy or sell Marston's PLC shares and hold a share certificate, you can:

- use the services of a stockbroker or high street bank; or
- use a telephone or online service. If you sell your shares in this way you will need to present your share certificate at the time of sale. Details of a low cost dealing service may be obtained from www.shareview.co.uk or 0345 603 7037¹.

¹ Lines are open Monday to Friday, 8:00am to 4:30pm for dealing and until 6:00pm for enquiries (UK time), excluding English public holidays.

Ordinary Shares

Range of Shareholding

Balance ranges	Total number of holdings	Percentage of holders	Total number of shares	Percentage issued capital
1–1,000	3,368	46.50%	1,337,094	0.2%
1,001–10,000	2,913	40.22%	10,805,765	1.64%
10,001–100,000	728	10.05%	19,522,041	2.96%
100,001–1,000,000	151	2.08%	51,350,997	7.77%
1,000,001–999,999,999	83	1.15%	577,346,297	87.43%

Additional information continued

Information for shareholders

Share fraud warning

Share fraud includes scams where investors are called out of the blue and offered an inflated price for shares they own or shares that often turn out to be worthless or non-existent. These calls come from fraudsters operating 'boiler rooms' that are mostly based abroad. While high profits are promised, those who buy or sell shares in this way usually lose their money. The Financial Conduct Authority (FCA) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200 million lost in the UK each year.

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

- Get the name of the person and organisation contacting you.
- Check the Financial Services Register at www.fca.org.uk/register to ensure they are authorised.
- Use the details on the FCA Register to contact the firm.
- Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
- Search the FCA list of unauthorised firms and individuals to avoid doing business with.
- Remember, if it sounds too good to be true, it probably is.

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme if things go wrong.

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at www.fca.org.uk where you will find out about the latest investment scams. You can also call the Consumer Helpline on 0800 111 6768.

Company details

Registered office: St Johns House, St Johns Square, Wolverhampton WV2 4BH

Telephone: 01902 907250

Company registration number: 31461

Investor queries: investorrelations@marstons.co.uk

Auditor

KPMG LLP, One Snowhill, Snowhill Queensway, Birmingham B4 6GH
RSM UK Audit LLP 10th Floor, 103 Colmore Row, Birmingham, B3 3AG

Advisers

JP Morgan Cazenove, 20 Moorgate, London EC2R 6DA
Peel Hunt LLP, Moor House, 120 London Wall, London EC2Y 5ET

Solicitors

Freshfield Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS
Slaughter & May LLP, One Burnhill Row, London EC1Y 8YY

Additional information continued

Glossary

A&E	Amendment and extension	NLW	National Living Wage
CAPEX	Capital expenditure	NMW	National Minimum Wage
CMBC	Carlsberg Marston's Brewing Company	OHID	Office for Health Improvement and Disparities
D&I	Diversity and inclusion	PBT	Profit before tax
DM2BPO	Doing more to be proud of	PCA	Pubs Code Adjudicator
DNED	Designated Non-executive Director	Pillar	Franchise-style agreement with independent food offer
EBITDA	Earnings before interest, taxes, depreciation, and amortisation	Pub Support Centre	Marston's head office
EHO	Food hygiene rating issued by Food Standards Agency	RCF	Revolving credit facility
EPS	Earnings per share	ROCE	Return on capital employed – a measure of how effectively we use the capital invested in our business
ESG	Environmental, Social and Governance	SEDEX	Supplier Ethical Data Exchange – membership organisation for auditing supply chains
EV	Electric vehicle	SONIA	Sterling Overnight Index Average, overnight indexed swaps for unsecured transactions
FRC	Financial Reporting Council – independent regulator	TCFD	Task Force on Climate-related Financial Disclosures
FTSE4Good	An index designed to measure the performance of companies demonstrating strong Environmental, Social and Governance practices	The Pubs Code	Statutory regulation effective 21 July 2016
FY	Financial year	TSR	Total shareholder return – a combination of share price appreciation and dividends paid
H1	The first half of the financial year	Total revenue	Total revenue from continuing operations
H2	The second half of the financial year		
NED	Non-executive Director		